

Danske Daily

Market Movers

- The **second estimate of UK Q3 GDP** is released at 10:30 CET. Data have been more or less in line with the assumptions behind the calculations of the first estimate. Thus, we expect the second estimate to show growth of 0.5% q/q as in the first release. Unlike the first release, we will get details on the expenditure subcomponents, which we expect to show that growth was mainly driven by domestic demand, especially private consumption.
- **Euro economic confidence data** for November are released at 11:00 CET.
- In Scandinavia, **Swedish and Norwegian retail sales** will be in focus this morning (released at 9:30 CET and 10:00 CET, respectively). Also coming up are **Norwegian unemployment figures** (10:00 CET). See *Scandi Markets*.

Selected Market News

Lacklustre economic data weigh on Asia bourses this morning. A range of economic Japanese and Chinese data was released overnight. While the headline CPI was a tad firmer than expected (0.3% y/y in October, survey: 0.2%, prior: 0.0%), the yearly change in the core figure unexpectedly fell to 0.7% (survey: 0.8%, prior: 0.9%). Furthermore, there was weakness in household spending, declining 2.4% y/y (survey: 0.0%, prior: -0.4%). Furthermore, in China, industrial profits fell 4.6% y/y in October. Profits earned by Chinese industrial companies have declined for five consecutive months, reflecting overcapacity in the sector as the economy rebalances from investment- to consumption-driven growth. At the time of writing, the Nikkei index is trading 0.3% lower, while the Shanghai Composite Index is down by 1.5%.

Subdued trading session due to US holiday. As the US was closed for the Thanksgiving holiday, European stocks continued to be driven by expectations for additional monetary stimulus to be announced at the December meeting, causing the Eurostoxx index to post a 1% gain. In fixed income, Portuguese government bonds extended their rally following the appointment of socialist leader Antonio Costa as Prime Minister on Tuesday. The likely end to political uncertainty, which has dominated the market since the inconclusive election in May, helped taking the 10yr yield some 9bp lower yesterday.

Market overview

	07:30	1 day +/- %	
S&P500 (close)	2088.9	↓ -0.01	
S&P500 fut (chng from close)	2092.0	↑ 0.19	
Nikkei	19878.7	↓ -0.33	
Hang Seng	22190.9	↓ -1.33	
	17:00	07:30	
		+/- bp	
US 2y gov	0.00	0.93	↑ 93.4
US 10y gov	0.00	2.21	↑ ###
iTraxx Europe (IG)	70	70	↑ 0.1
iTraxx Xover (Non IG)	293	294	↑ 0.3
			+/- %
EUR/USD	1.061	1.061	↑ 0.01
USD/JPY	122.570	122.480	↓ -0.07
EUR/CHF	1.09	1.09	↓ -0.05
EUR/GBP	0.702	0.704	↑ 0.22
EUR/SEK	9.274	9.266	↓ -0.09
EUR/NOK	9.19	9.21	↑ 0.17
			USD
Oil Brent, USD	45.4	45.3	↓ -0.04
Gold, USD	1071.8	1068.5	↓ -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

- [ECB Research: ECB and two-tier deposit rate system - the Danish lesson](#)

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Scandi Markets

Sweden. The week ends with retail sales statistics and we would not be surprised to see a weakening as the retail sector should be suffering from the abnormally warm weather over the past few weeks/months. Our 3.2% y/y estimate is below consensus's 3.8% but it will probably take a bigger 'miss' to see any material effects on rates and the SEK.

Norway. October retail sales due at 10.00 CET. Two successive weak months have fuelled concern that the downturn in the Norwegian economy is now having an impact on household demand, in which case there is a substantial risk of a deeper and longer-lasting slump. To date, rate cuts and expansionary monetary policy have propped up household income despite higher unemployment and lower real wage growth but increased uncertainty could push up the saving rate and pull down consumer spending, which could hit the economy hard. However, we seriously doubt that retail sales are actually as weak as the data might suggest, as we have had no indications of this from the trade itself. We therefore estimate a slight rebound in October, with retail sales climbing 0.7% m/m. This is a long way from a consumer boom but will nevertheless reduce the risk of a more serious downturn.

Also coming up are jobless data for November from the NAV. Gross unemployment increased by more than 2,000 people in October, which many interpreted as a rapid acceleration but reporting errors may well have shifted 300-400 people from September to October, and correcting for this gives a much more moderate increase. We still expect the underlying trend to remain a monthly increase of 1,200-1,300 people, which is only marginally higher than Norges Bank projected in the September monetary policy report and will not therefore affect its rate decision in December. We expect the registered unemployment rate to be unchanged at 2.9%. However, the monthly NAV-figures of notice of layoffs and dismissals increased from 4,200 persons in September, to close to 7,000 in October. To be sure, the relationship between these figures and the unemployment figures is not straightforward, but the upside risk to unemployment figures in the coming months has clearly increased, including today's numbers.

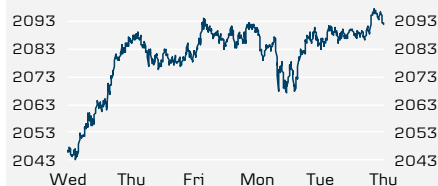
Fixed Income Markets

The story of a potential ECB two-tier system has got a lot of attention. The motivation behind a two-tier deposit rate system is to reduce the cost to the banking system. As long as banks are not willing to pass on the cost to the retail customer directly by introducing a negative deposit rate on retail deposits, cutting the ECB deposit rate further into the negative implies a higher cost for the banking system. A two-tier deposit rate scheme would reduce this cost, as some of the liquidity is placed at the 'higher deposit rate' but there are also potential negative effects from such a scheme. To illustrate, we take a look at the Danish set-up and experiences (*ECB Research: ECB and two-tier deposit rate system – the Danish lesson*, 26 November).

The Danish experience shows that it is definitely possible and it benefits the banking system. However, it could create negative side effects in terms of a higher spread between the overnight rate and the lowest deposit rate and larger volatility in fixings. In the DKK market, the uncertainty has been transferred into other short-term money-market rates.

For the EUR market, we would expect a smaller effect on the Eonia rate but it could result in a slightly higher spread to the lower deposit rate. However, as in Denmark, the key determinants would be (1) the spread between the two deposit rates, (2) the amount of excess liquidity and the fraction that can be placed at the two rates and (3) banks' willingness/ability to lend excess liquidity to each other (fragmentation).

US S&P500 future



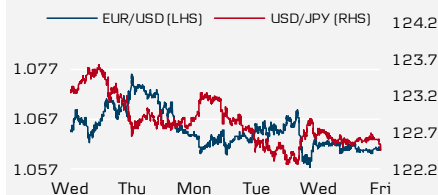
Source: Danske Bank Markets

US 10y gov yield



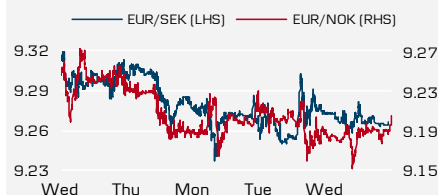
Source: Danske Bank Markets

Global FX



Source: Danske Bank Markets

Scandi FX



Source: Danske Bank Markets

The Danish DMO holds a T-bill auction tomorrow, where it taps in DGTB 01MAR16 and introduces the new DGTB 01JUN16. The auction closes at 10:15 CET and all bids can be reported to us. We have seen a lot of foreign interest in the short end of Denmark, especially swapped into EUR or USD. This still looks fairly attractive, especially swapped into USD where the pick-up to an US treasury is around 45bp.

FX Markets

The Scandi currencies will be in focus today. While we do not expect any significant SEK effect if we are right in our below-consensus call for retail sales, we do regard NOK-risks to be skewed to the downside. Although the Norwegian retail sales release is associated with the usual high degree of uncertainty, markets are looking for a positive correction after two disappointing releases in the previous months. As a result we suspect that we would have to see a very significant positive surprise to drive any hawkish re-pricing of Norwegian monetary policy. On the other hand, a negative surprise would be the third consecutive month with upsets and could lead markets to further question the state of Norwegian private consumption. Adding to this, NAV-unemployment is released at the same time and with the recent rise in the NAV-figures of notice of layoffs and dismissals there could be some upside risk to the consensus expectation of 2.9%, which would weigh on the NOK.

Key figures and events

Friday, November 27, 2015				Period	Danske Bank	Consensus	Previous
-	DEM	Retail sales	m/m y/y	Oct			0.0% 3.4%
8:45	FRF	Household consumption	m/m y/y	Oct		-0.2% ...	0.0% 2.6%
9:00	DKK	CB's securities statistics		Oct			
9:00	DKK	Foreign portfolio investments		Oct			
9:00	DKK	Confidence indicator, industry, s.a.	Net balance	Nov			-6
9:00	ESP	HICP, preliminary	m/m y/y	Nov		0.0% -0.7%	0.3% -0.9%
9:30	SEK	Retail sales s.a.	m/m y/y	Oct	... 3.2%	0.8% 4.2%	0.7% 3.7%
10:00	NOK	Retail sales, s.a.	m/m	Oct	0.7%	0.7%	-0.8%
10:00	NOK	Wage index manufacturing	q/q	3rd quarter			0.0%
10:00	NOK	Unemployment	%	Nov	2.9%	2.9%	2.9%
10:00	ITL	Business confidence	Index	Nov		105.2	105.9
10:30	GBP	GDP, 2nd estimate	q/q y/y	3rd quarter	0.5% 2.3%	0.5% 2.3%	0.5% 2.3%
10:30	GBP	Index of services	m/m 3m/3m	Sep		0.3% 0.8%	0.0% 0.9%
11:00	EUR	Business climate indicator	Net bal.	Nov		0.5	0.4
11:00	EUR	Industrial confidence	Net bal.	Nov		-2.1	-2.0
11:00	EUR	Economic confidence	Index	Nov		105.9	105.9
11:00	EUR	Consumer confidence, final	Net bal.	Nov			
11:00	EUR	Service confidence	Net bal.	Nov		12.2	11.9
13:00	DEM	GfK consumer confidence		Dec		9.20	9.4

Source: Bloomberg, Danske Bank Markets

Today's market data: 27 November 2015

STOCKS



	Close		+/-
DJSTOXX50	3294	↑	0.9%
OMXC20	999	↑	0.4%
OMXS30	1522	↑	1.0%
OSE BX	628	↑	0.6%
	Close		+/-
DOW JONES	17813	↑	0.0%
NASDAQ	5116	↑	0.3%
S&P500	2089	↓	0.0%
NIKKEI (07:30)	19879	↑	0.9%

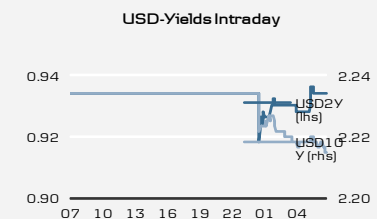
FX & COMMODITIES



	17:00	07:30		+/-
EUR				
USD	106.13	106.14	↑	0.01
JPY	130.08	130.00	↓	-0.08
GBP	70.20	70.35	↑	0.16
NOK	919.06	920.58	↑	1.52
SEK	927.40	926.55	↓	-0.85
DKK	746.05	746.06	↑	0.01
PLN	427.46	427.61	↑	0.15
USD				
JPY	122.57	122.48	↓	-0.09
GBP	151.18	150.87	↓	-0.31
CHF	102.45	102.39	↓	-0.06

	07:30		+/-
Gold, \$			
07:30	1068.45		
1day	↓	-3.75	↓
1month	↓	-98.42	↓
Year-t-date	↓	-116.41	↓
	07:30		+/-
Oil, Brent, \$			
07:30	45.34		
1day	↓	-0.12	↓
1month	↓	-1.47	↓
Year-t-date	↓	-11.99	↓
	07:30		+/-
CRB			
07:30	185.70		
1day	↑	0.43	↑
1month	↓	-6.58	↓
Year-t-date	↓	-44.26	↓
	07:30		+/-
CRB, Raw Industrials			
07:30	399.20		
1day	↑	1.89	↑
1month	↓	-21.24	↓
Year-t-date	↓	-92.91	↓

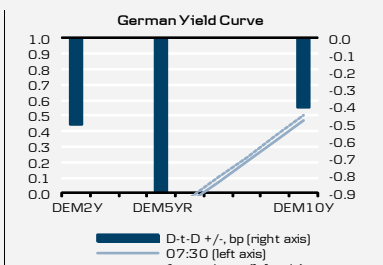
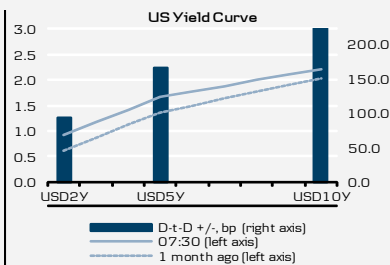
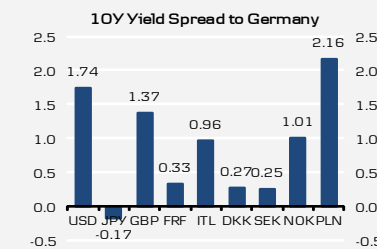
YIELDS & INTEREST RATES



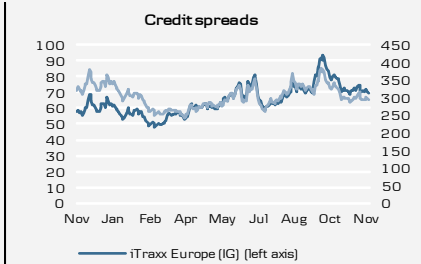
	Policy Rate	3M	Spread, bp
USD	0.25	0.41	16
EUR	0.05	-0.11	-16
GBP	0.50	0.57	7
DKK	0.05	-0.16	-21
SEK	-0.35	-0.42	-7
NOK	0.75	1.16	41
PLN	1.50	1.63	13

	17:00	07:30		+/-, bp
USD 10Y	0.00	2.21	↑	221
USD 30Y	0.00	2.98	↑	298
JPY 10Y	0.30	0.31	↑	1
	07:30(-1)*	17:00		+/-, bp
DEM 10Y	0.47	0.48	↑	0
DKK 10Y	0.82	0.75	↓	-7
SEK 10Y	0.77	0.73	↓	-4
NOK 10Y	1.48	1.48	↑	0
PLN 10Y	2.65	2.63	↓	-2

* As of closing previous trading day



	07:30	1day	1month
Europe (IG)	70	↓ 0	↓ -2
HiVol	86	↑ 1	↑ 13
Xover (N-IG)	294	↓ -1	↓ -9
Finan. Sr.	69	↓ 0	↓ -1
Finan. Sub.	148	↓ -1	↑ 0
Non-finan.			



	17:00	07:30		+/-
USD 10Y				
JPY 10Y		-13		
	07:30(-1)*	17:00		+/-
EUR 10Y	0			
DKK 10Y	36	36	↑	0
SEK 10Y	45	44	↓	-1
NOK 10Y	57	60	↑	3

* 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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