

Danske Daily

Market Movers

- It is a relatively quiet day in terms of data releases with only secondary data being released today.
- US factory orders are expected to drop 0.9% m/m in September following the decline of 1.7% in August. This would be consistent with the development in durable goods orders, which was released one week ago and showed a decline of 1.2% in September after a 3% decline in August.
- UK construction PMI is expected to fall back a bit to 58.8 in October after an unexpected big increase last month when the index jumped from 57.3 in August to 59.9 in September.
- In Scandinavia, Danmarks Nationalbank will publish October's FX reserve and balance sheet figures. In Sweden, Riksbank Deputy Governor Martin Floden is scheduled to speak at 9.15 CET. See *Scandi Markets*.

Selected Market News

The details of the US manufacturing ISM survey for October were better than the headline (50.1) with both new orders and new export orders increasing and while the order-inventory balance suggests that ISM is likely to hover around the 50 level in the coming month, the bottom is likely behind us now. A turn in the global manufacturing cycle in the coming months would bolster the Fed's outlook for US growth above trend next year and we continue to believe that the first rate hike will come in January. For more details see *Flash Comment: US manufacturing ISM is bottoming*, 2 November.

US markets rallied yesterday supported by the positive sentiment from the European session and the better-than-expected US ISM survey. The SP500 index gained 1.2% and thereby erased its losses from the global sell-off in August, which was ignited by the People's Bank of China's devaluation of the renminbi. Yields on US government bonds rose around 3bp across the curve as the market priced a higher probability of a December rate hike from the Fed. In Asia this morning all regional equity indices also trade higher with markets in Japan being closed due to public holiday.

The October 2015 Senior Loan Officer Opinion Survey on Bank Lending Practices, which was released last night, showed that a modest fraction of bank tightened lending standards on commercial and industrial (C&I) loans in Q3 15. However, some banks also reported having eased some loan terms, such as spreads and loan maturities, while also indicating that they increased premiums charged on riskier loans for larger firms. On the demand side, banks reported that demand for C&I loans was about unchanged.

The Reserve Bank of Australia (RBA) kept its cash rate target unchanged at 2.00% this morning. We maintain our call for no more rate RBA-cuts but importantly we do not see a RBA rate cut as a prerequisite for further AUD/USD-weakness. We forecast AUD/USD at 0.71 in 1M, 0.69 in 3M, 0.68 in 6M and 0.68 in 12M.

Market overview

	07:30	1 day +/- %	
S&P500 (close)	2104.1	↑ 1.19	
S&P500 fut (chng from close)	2094.1	↓ -0.06	
Nikkei	18683.2	↓ -2.10	
Hang Seng	22647.0	↑ 1.24	
	17:00	07:30	
		+/- bp	
US 2y gov	0.75	0.75	↑ 0.4
US 10y gov	2.18	2.17	↓ -1.2
iTraxx Europe (IG)	71	71	↑ 0.2
iTraxx Xover (Non IG)	297	298	↑ 1.1
			+/- %
EUR/USD	1.103	1.102	↓ -0.11
USD/JPY	120.700	120.670	↓ -0.02
EUR/CHF	1.09	1.09	↑ 0.07
EUR/GBP	0.715	0.714	↓ -0.05
EUR/SEK	9.386	9.399	↑ 0.14
EUR/NOK	9.35	9.35	↓ -0.03
			USD
Oil Brent, USD	49.1	48.8	↓ -0.59
Gold, USD	1136.0	1138.4	↑ 0.21

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

- *Turkey: AKP restores majority - political uncertainty eases*
- *Norges Bank Preview: Rates unchanged - easing bias reiterated*
- *US: Manufacturing ISM is bottoming*

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Scandi Markets

Danmarks Nationalbank (DN) will publish October's FX reserve and balance sheet figures today. EUR/DKK traded above the central rate of 7.46038 during most of the first half of October and focus will therefore be on whether DN made FX intervention purchases of DKK to cap EUR/DKK topside.

Fixed Income Markets

The Draghi interview and Nowotny echoing a slightly hawkish message weighed on the market as we entered the week. The market remains very directional with year-end being in the hands of Draghi and to some extent Yellen. We remain of the view that Draghi will deliver both rate cut and an increase in monthly purchases, see [our analysis](#) on ECB's options.

Austria is kicking off this week's longer dated supply with a EUR1.32bn tap in the Oct-25s and the May-34s. Austria has one more auction scheduled this year on 15 December. The semi-core was under pressure yesterday with France leading the underperformance in what seemed to be mainly driven by the outright move higher in core yields causing some spread widening.

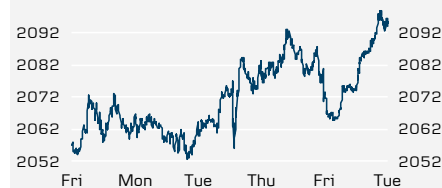
FX Markets

EUR/USD remained steady just above the 1.10 mark yesterday and we still think US data weakness near term could support the cross for now. That said, our economists now look for the ECB to both extend and expand as well as cut the deposit rate in the euro zone further at a time when the Fed will most likely start normalising its policy. While some ECB easing is indeed already priced and the market is putting a 50/50 chance on a December Fed hike, this still points to there being some leeway for relative rates to drag the cross lower on a 3M horizon and an undershoot of our 1.08 forecast on this horizon is likely.

After the Reserve Bank of Australia kept rates unchanged this morning, we maintain our call for no more easing. That said, we do not see a RBA rate cut as a prerequisite for further AUD/USD-weakness. Indeed, we still expect more downside in the cross supported by both a weaker AUD-leg (terms of trade shock still weighing) and a stronger USD-leg (Fed hike drawing closer). We still forecast the cross at 0.71 in 1M, 0.69 in 3M, 0.68 in 6M and 0.68 in 12M.

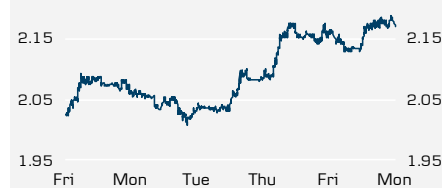
In our [Norges Bank Preview](#) we stress that unchanged rates should imply EUR/NOK to be little changed on Thursday's announcement. We do not expect a NOK appreciation trend to materialise until the Norwegian business cycle turns and Norges Bank can signal that there is no longer a need to cut rates further. In our view, this will first be a story for 2016. We target EUR/NOK at 9.30 in 1M, 9.30 in 3M, 9.25 in 6M and 8.80 in 12M.

US S&P500 future



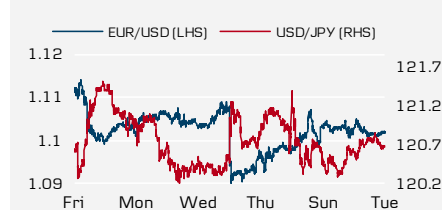
Source: Danske Bank Markets

US 10y gov yield



Source: Danske Bank Markets

Global FX



Source: Danske Bank Markets

Scandi FX



Source: Danske Bank Markets

Key figures and events

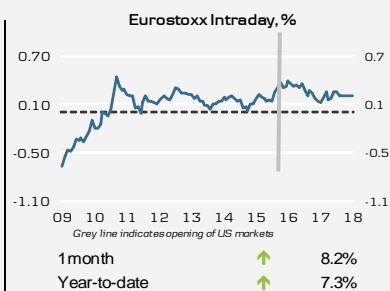
Tuesday, November 3, 2015

			Period	Danske Bank	Consensus	Previous
9:15	SEK	Riksbank's Flodén gives speech				
10:30	GBP	PMI construction	Index		58.8	59.9
16:00	DKK	Currency reserves	DKK bn			513.6
16:00	USD	Factory orders	m/m		-0.9%	-1.7%
20:00	EUR	ECB's Draghi speaks in Frankfurt				

Source: Bloomberg, Danske Bank Markets

Today's market data: 03 November 2015

STOCKS



	Close		+/-
DJUSTOXX50	3223	↑	0.2%
OMXC20	946	↑	0.9%
OMXS30	1502	↑	0.2%
OSE BX	618	↑	0.4%
	Close		+/-
DOW JONES	17829	↑	0.9%
NASDAQ	5127	↑	1.5%
S&P500	2104	↑	1.2%
NIKKEI (07:30)	18683	↑	0.2%

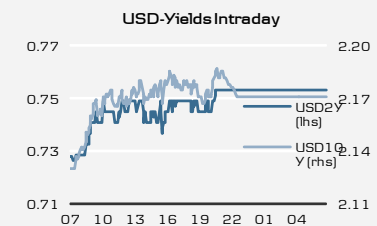
FX & COMMODITIES



EUR	17:00	07:30	+/-
USD	110.31	110.19	↓ -0.12
JPY	133.15	132.97	↓ -0.18
GBP	71.46	71.43	↓ -0.04
NOK	934.91	934.59	↓ -0.32
SEK	938.61	939.90	↑ 1.29
DKK	745.83	745.81	↓ -0.02
PLN	426.16	425.71	↓ -0.45
USD	17:00	07:30	+/-
JPY	120.70	120.67	↓ -0.03
GBP	154.37	154.27	↓ -0.10
CHF	98.52	98.70	↑ 0.18

	07:30		Oil, Brent, \$
Gold, \$	1388.36		48.84
1 day	↑	4.52	↑ 0.05
1 month	↓	-0.46	↑ 0.71
Year-t-date	↓	-46.50	↓ -8.49
	07:30		CRB, Raw Industrials
CRB 1M future	194.91		413.56
1 day	↓	-0.69	↓ -0.72
1 month	↑	0.81	↓ -21.11
Year-t-date	↓	-35.04	↓ -78.55

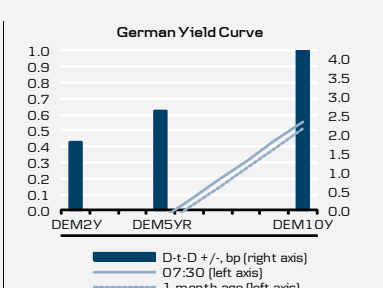
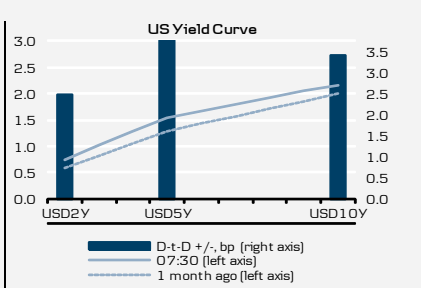
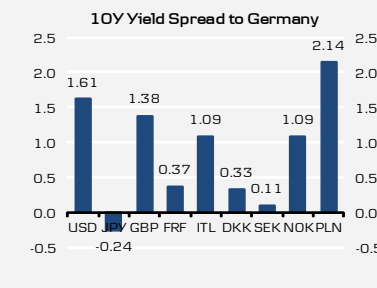
YIELDS & INTEREST RATES



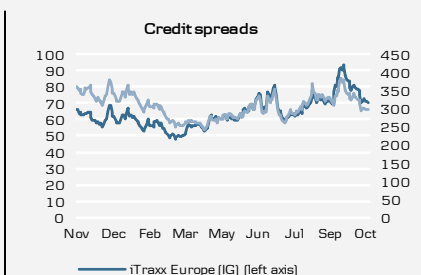
	Policy Rate	3M	Spread, bp
USD	0.25	0.33	8
EUR	0.05	-0.07	-12
GBP	0.50	0.58	8
DKK	0.05	-0.12	-17
SEK	-0.35	-0.34	1
NOK	0.75	1.10	35
PLN	1.50	1.63	13

	17:00	07:30	+/-, bp
USD 10Y	2.18	2.17	↓ -1
USD 30Y	2.96	2.94	↓ -1
JPY 10Y	0.31	0.32	↑ 1
	07:30(-1)*	17:00	+/-, bp
DEM 10Y	0.52	0.57	↑ 5
DKK 10Y	0.92	0.90	↓ -2
SEK 10Y	0.63	0.67	↑ 4
NOK 10Y	1.64	1.64	↑ 0
PLN 10Y	2.67	2.70	↑ 3

* As of closing previous trading day



	07:30	1 day	1 month
Europe (IG)	71	↓ 0	↓ -17
HiVol	84	↓ -1	↓ -4
Xover (N-IG)	298	↓ 0	↓ -59
Finan. Sr.	70	↓ 0	↓ -20
Finan. Sub.	150	↑ 0	↓ -38
Non-finan.			



	17:00	07:30	+/-
USD 10Y			
JPY 10Y	-8	-6	↑ 2
	07:30(-1)*	17:00	+/-
EUR 10Y	0	18	↑ 18
DKK 10Y	38	38	↑ 0
SEK 10Y	41	41	↑ 0
NOK 10Y	71	73	↑ 2

* As of closing previous trading day

** Ask price

* Ask price

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First date of publication

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