

15 January 2016

Danske Daily

Market Movers

- **Today's calendar of economic data releases is dominated by US data** that will tell us more about how the US economy is doing. The main theme in the US economy is the slowdown in the manufacturing sector and the concomitant steady growth in the service sector, which has left economic policy makers in a difficult position.
- Today we get US-figures on industrial and manufacturing production. The manufacturing sector is struggling due to a combination of the strong USD, the slowdown in manufacturing globally and the slowdown in the US energy sector. While the lower oil price has lowered input costs, it has also hit demand for US manufacturing goods as the energy sector is a large buyer of them. The latest ISM figures on manufacturing have been very weak and hence we are not too optimistic on the 'hard' manufacturing data.
- Also due for release today are figures on US private consumption, namely the University of Michigan consumer confidence and retail sales. We expect solid releases due to growing real income, rising consumer confidence in previous months and a boost to consumers' purchasing power from the lower energy prices. The Fed's Dudley (voting member, dovish) will hold a speech on the economic and monetary policy outlook in the US. We will also get US PPI figures.
- **In the UK** construction output figures for November are due. The figures should give us more insight into how the UK performed growth-wise in Q4.
- Today the International **Atomic Energy Agency is expected to report that Iran** has fulfilled its commitment under the nuclear agreement, which could lead to the decade-long sanctions being lifted as early as Monday.

Selected Market News

Yesterday afternoon the **Fed's Bullard** – who is regarded to be in the hawkish camp of the voting members – expressed concern as to the downtrend in inflation expectations. Specifically he stated that the '*latest decline in oil prices may delay the return of inflation to central bank's 2% target*' which would require a '*rethink*' of monetary policy. While Bullard still said that the base case remains four rate hikes in 2016 the fact that he expressed concern, shows that the Fed is paying close attention to the tumbling start to the year in terms of commodity prices and risk assets. Bullard's comments offered relief to **risk appetite in the US session** which, together with the rising oil price, contributed to sending the major US stock index higher. While Asian stocks started the overnight session on a good footing, most Asian indices, however, are now in red territory. The **Brent crude oil price** has also lost some of its gains and is now back below the USD31/bl-level around which Brent has been fluctuating this week.

IMF fund spokesman Gerry Rice stated that the process of the Yuan joining the Special Drawing Rights is 'fully on track'. For the sixth straight session the **USD/CNY** fixing was held stable and the CNY-CNH spread still remains in a relatively tight range. Overnight **Chinese credit figures** surprised heavily to the upside and showed that companies increasingly turn to the corporate bond market.

Market overview

	07:30	1 day +/- %	
S&P500 (close)	1921.8	↑	1.67
S&P500 fut (chng from close)	1897.6	↓	-0.89
Nikkei	17117.8	↓	-0.71
Hang Seng	19633.8	↓	-0.93
	17:00	07:30	+/- bp
US 2y gov	0.89	0.89	↓ -0.3
US 10y gov	2.08	2.09	↑ 0.9
iTraxx Europe (IG)	89	91	↑ 1.4
iTraxx Xover (Non IG)	362	365	↑ 3.2
			+/- %
EUR/USD	1.085	1.088	↑ 0.30
USD/JPY	118.020	117.830	↓ -0.16
EUR/CHF	1.09	1.09	↓ -0.03
EUR/GBP	0.754	0.755	↑ 0.17
EUR/SEK	9.285	9.290	↑ 0.05
EUR/NOK	9.54	9.56	↑ 0.16
			USD
Oil Brent, USD	30.8	30.6	↓ -0.55
Gold, USD	1083.2	1081.6	↓ -0.14

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

- *Bank of England Review - Not much news in the minutes as we are awaiting the inflation report*
- *Who is afraid of a China syndrome? Implications for Emerging Markets*
- *China: Strong trade data should ease fears of a hard landing*
- *Conference call on 'the Repercussions of the oil price collapse' [digital playback]*

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Scandi Markets

In Norway, trade balance figures for December will give us another month of details on how not least the Norwegian producers are benefitting from a weaker NOK.

In Sweden we will get figures on household consumption. Note that on the back of yesterday's inflation release we have pushed our call for a Riksbank 10bp rate cut from April to February.

Fixed Income Markets

Today, **US data are in focus** with retail sales, empire, industrial production and consumer confidence all up for release. We are taking a short break in the **EU govie supply** wave with only Slovakia printing in 18s and 24s. Spain will announce details on next week's tap at 14:00 CET today and we expect the Tesoro to introduce a new 3Y or 5Y and a tap in the 37s next week. The periphery has been holding up quite well despite the heavy supply this week helped by decent new issue premiums. That was also the case for Portugal yesterday that issued 4bn in the new 10Y that performed well in the secondary after the launch.

It is Friday and that means **possible rating reviews**. Portugal is up for review by Moody's where we expect no changes. The risk is, however, tilted towards a 'negative outlook' as the Socialist government has rolled back some austerity measures (holidays re-introduced) and also the government cost from the sale of Banif attracted negative focus.

FX Markets

Risk sentiment remains the main driver for all the major currencies at the moment and the JPY and EUR are once again in demand this morning amid negative Asian markets. The CNH-CNY spread has increased slightly again but we expect the PBoC to keep a tight grip on the offshore market and limit CNH depreciation in the short term. Fed's Bullard (hawk) yesterday commented on falling inflation expectations, which he thinks may delay the return of inflation to its 2% target. Bullard's dovish comments provided some temporary support to risk sentiment and EUR/USD traded lower yesterday afternoon. Fed rate hike expectations have declined substantially this year and while falling US interest rates should increase upward pressure on EUR/USD, less Fed tightening on the other hand is supportive for risk sentiment, which would tend to send EUR/USD lower. In all, these two opposing forces imply that EUR/USD might be kept in range.

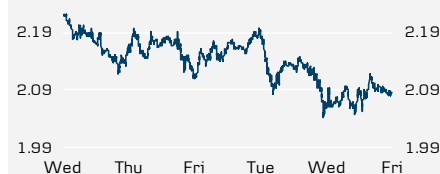
In the Scandi FX market, EUR/SEK traded higher yesterday as Swedish CPIF for December printed 0.2 percentage points below the Riksbank's forecast but in line with our expectations at 0.9% y/y. Note that we have moved forward our call of a rate cut from the Riksbank (10bp cut to -0.45%) from April to February instead. While the inflation differential in itself is perhaps not enough to trigger a rate cut, it adds to previous 'burdens' (deviations), in our view. Moreover, we note that no action from the Riksbank could send the SEK much stronger as it did in December and thus increase the risk of FX intervention. For more details on our updated Riksbank view, see Reading the Markets Sweden, 14 January.

US S&P500 future



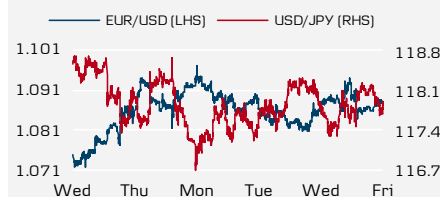
Source: Danske Bank Markets

US 10y gov yield



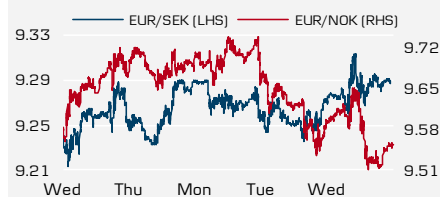
Source: Danske Bank Markets

Global FX



Source: Danske Bank Markets

Scandi FX



Source: Danske Bank Markets

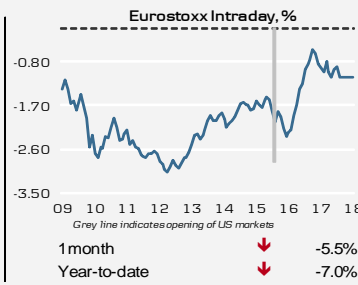
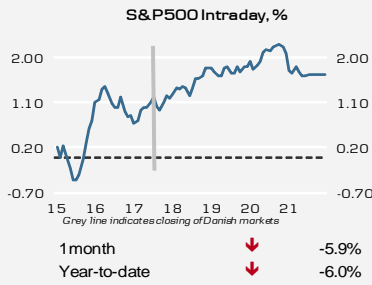
Key figures and events

Friday, January 15, 2016			Period	Danske Bank	Consensus	Previous
-	EUR	S&P may publish Belgium's debt rating				
9:00	EUR	ECOFIN meeting in Brussels				
9:00	ESP	HICP, final	m/mly/y	Dec	-0.4% -0.1%	-0.4% -0.1%
9:30	SEK	Household consumption	m/mly/y	Nov		0.2% 3.3%
10:00	NOK	Trade balance	NOK bn	Dec		15.4
10:00	ITL	HICP, final	m/mly/y	Dec	... 0.1%	... 0.1%
10:30	GBP	Construction output	m/mly/y	Nov		0.2% 1.0%
11:00	EUR	Trade balance	EUR bn	Nov	21.5	19.9
14:30	USD	Retail sales control group	m/m	Dec		0.3%
14:30	USD	Retail sales less autos	m/m	Dec		0.2%
14:30	USD	Retail sales less autos and gas	m/m	Dec		0.3%
14:30	USD	Retail sales	m/m	Dec		0.1%
14:30	USD	PPI	m/mly/y	Dec		-0.2% -1.0%
14:30	USD	PPI core	m/mly/y	Dec		0.1% 0.3%
14:30	USD	Empire Manufacturing PMI	Index	Jan		-4.0
15:00	USD	Fed's Dudley (voter, dovish) speaks				-4.6
15:15	USD	Industrial production	m/m	Dec		-0.2%
15:15	USD	Manufacturing production	m/m	Dec		-0.1%
15:15	USD	Capacity utilization	%	Dec		76.8%
16:00	USD	University of Michigan Confidence, preliminary	Index	Jan		93.0

Source: Bloomberg, Danske Bank Markets

Today's market data: 15 January 2016

STOCKS



	Close		+/-
DJSTOXX50	2883	↓	-1.1%
OMXC20	953	↓	-1.4%
OMXS30	1339	↓	-1.6%
OSE BX	542	↓	-2.6%
	Close		+/-
DOW JONES	16379	↑	1.4%
NASDAQ	4615	↑	2.0%
S&P500	1922	↑	1.7%
NIKKEI (07:30)	17118	↓	-1.1%

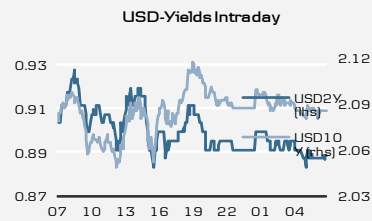
FX & COMMODITIES



EUR	17:00	07:30	+/-
USD	108.46	108.79	↑ 0.33
JPY	128.00	128.19	↑ 0.19
GBP	75.39	75.51	↑ 0.13
NOK	954.00	955.56	↑ 1.56
SEK	928.53	929.03	↑ 0.50
DKK	746.32	746.27	↓ -0.05
PLN	438.48	439.35	↑ 0.87
USD	17:00	07:30	+/-
JPY	118.02	117.83	↓ -0.19
GBP	143.87	144.08	↑ 0.21
CHF	100.81	100.47	↓ -0.34

	Gold, \$	Oil, Brent, \$
07:30	1081.60	30.58
1day	↑ 3.14	↓ -0.30
1month	↑ 20.39	↓ -7.87
Year-t-date	↑ 20.18	↓ -6.70
	CRB 1M future	CRB, Raw Industrials
07:30	163.12	407.82
1day	↑ 0.73	↑ 0.28
1month	↓ -11.10	↑ 5.84
Year-t-date	↓ -13.02	↑ 3.11

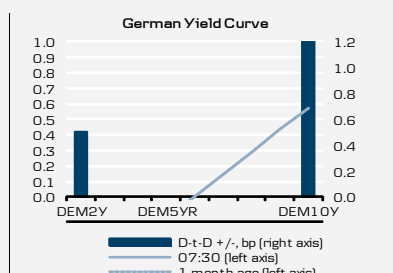
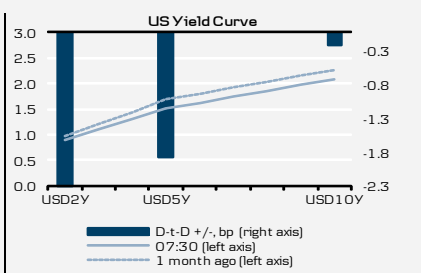
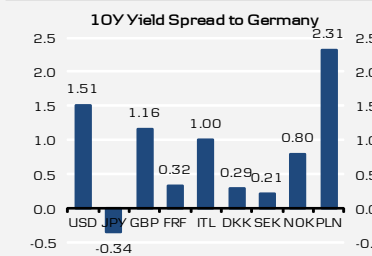
YIELDS & INTEREST RATES



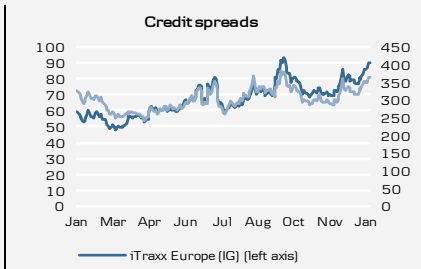
	Policy Rate	3M	Spread, bp
USD	0.50	0.62	12
EUR	0.05	-0.14	-19
GBP	0.50	0.59	9
DKK	0.05	-0.05	-10
SEK	-0.35	-0.28	7
NOK	0.75	1.17	42
PLN	1.50	1.60	10

	17:00	07:30	+/-, bp
USD 10Y	2.08	2.09	↑ 1
USD 30Y	2.87	2.88	↑ 1
JPY 10Y	0.24	0.23	↓ -1
	07:30(-1)*	17:00	+/-, bp
DEM 10Y	0.56	0.57	↑ 1
DKK 10Y	0.93	0.86	↓ -7
SEK 10Y	0.83	0.78	↓ -4
NOK 10Y	1.37	1.37	↑ 0
PLN 10Y	2.83	2.92	↑ 10

* As of closing previous trading day



Credit spread, iTraxx s. 11*	07:30	1day	1month
Europe (IG)	91	↑ 1	↑ 9
HiVol	124	↓ -7	↑ 19
Xover (N-IG)	365	↑ 2	↑ 25
Finan. Sr.	84	↑ 1	↑ 5
Finan. Sub.	179	↑ 2	↑ 13
Non-finan.			



Swap Spread, bp**	17:00	07:30	+/-
USD 10Y			
JPY 10Y	-15	-16	↓ 0
	07:30(-1)*	17:00	+/-
EUR 10Y	0	17	↑ 17
DKK 10Y	35	37	↑ 2
SEK 10Y	37	38	↑ 1
NOK 10Y	63	61	↓ -2

* 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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