

# Danske Daily

## Market Movers

- On the data front, we are looking for German ZEW expectations to have risen to 8.2 from 1.9. October's CPI in the UK and the US may also attract some attention today. We are looking for a slight drop in UK CPI inflation and a slight rise in US CPI inflation.
- On the monetary policy front, the market will listen to what ECB's Lautenschlager and Fed's Tarullo have to say about what may be in store at the upcoming ECB and Fed meetings in December.
- The oil market in particular, will keep an eye on potential geopolitical ramifications of the terrorist attack in Paris on Friday. The conflict is centred around Syria, which limits the impact on the oil price, as Syria is not a big oil producer.
- In Scandi markets, the Norwegian Q3 GDP figure is due for release today – we are looking for 0.1% q/q mainland GDP growth in Q3 down from 0.2% q/q in Q2 and slightly lower than what Norges Bank has previously forecasted.

## Selected Market News

A number of ECB members spoke yesterday. Coeure and Constancio downplayed the risk of asset price bubbles and Constancio further underlined that ECB policy aims at intensifying risk taking. These comments should fuel the expectation that the ECB is set to ramp up its bond purchase programme at its December meeting.

ECB's Praet said that the ECB will need to monitor economic confidence following the terrorist attacks. Judging from developments in financial markets yesterday, economic confidence may not have suffered to any larger extent as risk assets in general were well supported on the first trading day following the attacks.

French president Hollande held a speech yesterday in which he promised to increase spending on security, limit constitutional protections and win a war against Islamic terrorism. Hollande furthermore said that he would call US president Obama and Russian president Putin to unite efforts to find a solution.

## Market overview

		07:30	1 day +/- %
S&P500 (close)		2053.2	↑ 1.49
S&P500 fut (chng from close)		2051.8	↑ 0.19
Nikkei		19661.1	↑ 1.38
Hang Seng		22351.0	↑ 1.55
		17:00	07:30
			+/- bp
US 2y gov	0.84	0.86	↑ 1.6
US 10y gov	2.26	2.28	↑ 1.9
iTraxx Europe (IG)	74	74	↑ 0.5
iTraxx Xover (Non IG)	312	315	↑ 2.5
			+/- %
EUR/USD	1.072	1.066	↓ -0.57
USD/JPY	123.070	123.390	↑ 0.26
EUR/CHF	1.08	1.08	↓ -0.16
EUR/GBP	0.705	0.703	↓ -0.35
EUR/SEK	9.320	9.317	↓ -0.04
EUR/NOK	9.31	9.29	↓ -0.23
			USD
Oil Brent, USD	43.3	44.7	↑ 3.14
Gold, USD	1085.5	1078.8	↓ -0.61

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

- *FX Forecast Update: The final leg of the USD rally*
- *Yield Forecast Update: Central banks set the direction for 2016 in December*

### Senior Analyst

Jens Nærvig Pedersen  
+45 45 12 80 61  
jenpe@danskebank.dk

## Scandi Markets

**Norway.** Mainland GDP is due at 10.00 CET. It is unusually difficult to predict GDP at the moment because economic data are highly volatile, shooting in all directions. On balance, we reckon mainland GDP will increase by a mere 0.1% q/q, which is marginally less than Norges Bank assumed in its September monetary policy report and would therefore put very slight downward pressure on interest rates.

## Fixed Income Markets

In the fixed income market, the early flight-to-safety bid was quickly unwounded and we saw only minimal changes in outright levels. However, as several ECB speakers on the wires yesterday reminded us, the most likely channel affecting the euro zone from a fundamental point of view is the confidence channel and although Constancio pointed to the general ‘calm reaction in markets to the Paris attacks’ the coming days will give more evidence with ZEW (today), consumer confidence (preliminary Friday, final 27 November) and PMIs (Monday next week) being released ahead of the ECB meeting. The base case is for a very limited and transitory effect and thus something that would not change the expected actions by the ECB but given the starting-point of a fragile recovery with downside risk these releases are important to follow.

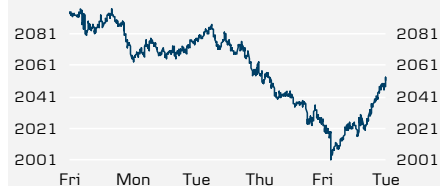
In the government bond market Portugal was the top performer on the back of the DBRS verdict, tightening 8bp versus Italy in the 10Y. However, it remains noteworthy that 10Y Spain is around year-to-date highs in the 10Y versus Italy with the spread trading around 24bp. There is political risk going into December with a general election coming up. Italy on the other hand, is benefiting from a very supportive net cash flow into year-end. However, the current pricing is excessive, in our view, and we are looking for a reversal. Note also that this week’s Spanish tap is in sub-8Y and the EUR3-4bn issuance range is in the low end.

## FX Markets

Yesterday we published our *FX Forecast Update*. We look for the Fed to hike and for the ECB to ease substantially in December and we have lowered our 1M and 3M forecasts as we believe the cross has further to fall on relative rates. We look for a temporary break below the March low at 1.0458 in December, forecasting EUR/USD at 1.04 in 1M (previously 1.10). We do, however, not think the cross is headed for parity and we see little potential for the market to price sustained divergence in Fed-ECB policy beyond December and we target 1.06 in 3M (from 1.08). Longer term, we still expect to see a gradual move higher in the cross towards the levels warranted by medium- to long-term fundamentals. We keep our 6M and 12M forecast unchanged at 1.12 and 1.20, respectively.

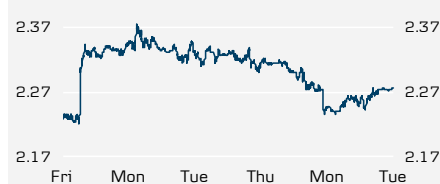
Amid Norges Bank’s (NB) increased focus on domestic growth, today’s Q3 GDP release will take centre stage. We expect a print for mainland GDP of 0.1% - in line with consensus but below NB’s own projections – which will likely return market focus to the downside risk of an earlier-than-priced NB rate cut. In recent weeks markets have stopped to price out any probability of a NB rate cut in December. While we do not expect a cut either, we do see some downside risk to short-term NOK rates in the coming weeks, especially if we are right on today’s GDP release and on our call for both the ECB and the Riksbank easing monetary policy further in December. As short-term EUR rates are already aggressively priced we think relative rates will be a supportive factor for EUR/NOK in the coming month. Also, seasonality tends to boost the cross going into year-end when NOK-liquidity tends to worsen. We forecast EUR/NOK at 9.40 in 1M.

### US S&P500 future



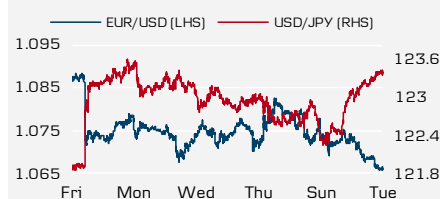
Source: Danske Bank Markets

### 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 17, 2015			Period	Danske Bank	Consensus	Previous
9:30	EUR	ECB's Lautenschlaeger speaks in Frankfurt				
10:00	NOK	GDP (mainland)	q/q 3rd quarter	0.1%	0.1%	0.2%
10:00	NOK	GDP (total)	q/q 3rd quarter		0.6%	-0.1%
10:30	GBP	PPI - input	m/m/y/y Oct		0.2% -12.0%	0.6% -13.3%
10:30	GBP	PPI - output	m/m/y/y Oct		-0.1% -1.4%	-0.1% -1.8%
10:30	GBP	CPI	m/m/y/y Oct	0.0% -0.2%	0.1% -0.1%	-0.1% -0.1%
10:30	GBP	CPI core	y/y Oct	1.0%	1.0%	1.0%
11:00	DEM	ZEW current situation	Index Nov		56.0	55.2
11:00	DEM	ZEW expectations	Index Nov	8.2	6.6	1.9
14:00	HUF	Central Bank of Hungary rate decision	%	1.35%	1.35%	1.35%
14:30	USD	CPI	m/m/y/y Oct		0.2% 0.1%	-0.2% 0.0%
14:30	USD	CPI - core	m/m/y/y Oct		0.2% 1.9%	0.2% 1.9%
15:15	USD	Capacity utilization	% Oct		77.5%	77.5%
15:15	USD	Industrial production	m/m Oct		0.1%	-0.2%
15:15	USD	Manufacturing production	m/m Oct		0.2%	-0.1%
16:00	USD	NAHB Housing Market Index	Index Nov		64.0	64.0
21:30	USD	Fed's Tarullo (voter, neutral) speaks				
22:00	USD	TICS international capital flow, Net inflow	USD bn Sep			-9.2

Source: Bloomberg, Danske Bank Markets

Today's market data: 17 November 2015

STOCKS



	Close		+/-
DJUSTOXX50	3175	↑	0.3%
OMXC20	967	↑	0.1%
OMXS30	1479	↑	0.2%
OSE BX	613	↑	0.7%
<b>Close +/-</b>			
DOW JONES	17483	↑	14%
NASDAQ	4985	↑	12%
S&P500	2053	↑	15%
NIKKEI (07:30)	19661	↑	0.3%

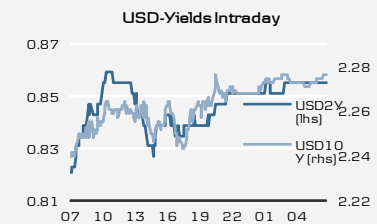
FX & COMMODITIES



EUR	17:00	07:30	+/-
USD	107.19	106.58	↓ -0.61
JPY	131.92	131.51	↓ -0.41
GBP	70.52	70.27	↓ -0.25
NOK	931.16	929.04	↓ -2.12
SEK	932.04	931.67	↓ -0.37
DKK	746.17	746.16	↓ -0.01
PLN	424.71	424.43	↓ -0.28
USD	17:00	07:30	+/-
JPY	123.07	123.39	↑ 0.32
GBP	152.00	151.67	↓ -0.33
CHF	100.74	101.15	↑ 0.41

	07:30		Oil, Brent, \$
Gold, \$	1078.82		44.68
1 day	↓ -3.93	↑	0.12
1 month	↓ -98.50	↓	-5.78
Year-to-date	↓ -106.04	↓	-12.65
CRB	1M future	CRB, Raw Industrials	
07:30	185.42	40162	
1 day	↑ 0.65	↓ -0.18	
1 month	↓ -14.03	↓ -23.76	
Year-to-date	↓ -44.54	↓ -90.49	

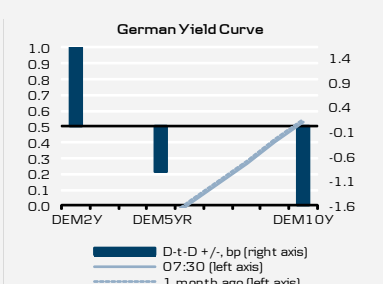
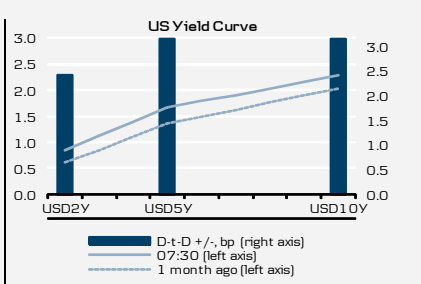
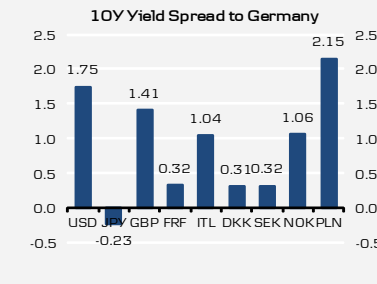
YIELDS & INTEREST RATES



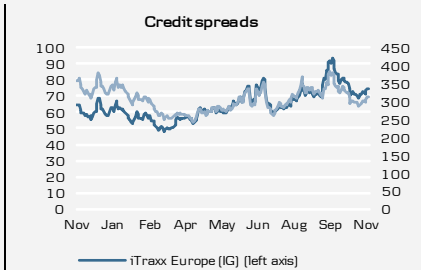
	Policy Rate	3M	Spread, bp
USD	0.25	0.36	11
EUR	0.05	-0.09	-14
GBP	0.50	0.58	8
DKK	0.05	-0.15	-20
SEK	-0.35	-0.36	-1
NOK	0.75	1.16	41
PLN	1.50	1.63	13

	17:00	07:30	+/-, bp
USD 10Y	2.26	2.28	↑ 2
USD 30Y	3.06	3.06	↑ 1
JPY 10Y	0.30	0.30	↑ 0
07:30(-1)* 17:00 +/-, bp			
DEM 10Y	0.55	0.54	↓ -1
DKK 10Y	0.91	0.84	↓ -7
SEK 10Y	0.87	0.86	↓ -2
NOK 10Y	1.59	1.59	↑ 0
PLN 10Y	2.69	2.68	↓ -1

\* As of closing previous trading day



	07:30	1 day	1 month
Europe (IG)	74	↑ 0	↓ -5
HiVol	88	↓ -2	↑ 8
Xover (N-IG)	315	↑ 1	↓ -14
<b>Finan. Sr.</b>			
Finan. Sub.	76	↑ 0	↓ -1
Non-finan.	161	↑ 1	↓ -2



	17:00	07:30	+/-
USD 10Y	-12	-11	↑ 0
JPY 10Y	-12	-11	↑ 0
07:30(-1)* 17:00 +/-			
EUR 10Y	0	17	↑ 17
DKK 10Y	37	37	↓ 0
SEK 10Y	44	43	↓ -1
NOK 10Y	58	57	↓ -1

\* As of closing previous trading day

\*\* Ask price

Source: Bloomberg, Danske Bank Markets

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