

Danske Daily

Vivo X6 and Vivo X6 Plus Design

Market Movers

- Developments in **China** and the **oil** market are set to be a focus. We published a piece on the Chinese currency outlook yesterday.
- In **Germany**, industrial production and trade balance figures for November are due for release. Industrial production should continue to reflect the pattern in factory orders with a lag of one month and hence show an increase for November but only of around 0.7% m/m.
- The main release to watch today is the **US non-farm payroll**. We expect the job report for December to show that employment has continued to rise this month and that the labour market continues to tighten. Our main focus is on the growth in average hourly earnings, as higher wage growth is necessary for higher underlying inflation pressure in the US. The Phillips curve, which describes the relationship between unemployment and wage growth, shows that wage growth has been ticking up this year and we expect this to continue next year too.

Selected Market News

Global risk sentiment seems to be improving this morning with Asian markets generally up. The Chinese market opened on a volatile basis but seems to be sustaining gains in mid-day trading with the Shanghai Comp and CSI 300 both up almost 3%. The positive opening comes after the Chinese government suspended the ‘circuit breaker system’ that had only been in place four days, but which already triggered closing of the Chinese stock market twice which, together with unclear exchange rate management, unnerved investors. As part of the global sell-off triggered by China (and the lower oil price), the S&P 500 fell 2.4% yesterday, marking the worst-ever start to a year for the index.

This morning the People’s Bank of China’s fixing of the CNY was 0.02% stronger than yesterday, ending an eight-day weakening of 1.42%. The offshore Yuan (CNH) remained roughly unchanged on the day, although fluctuating quite significantly. There is a story this morning suggesting that the Chinese FX regulator has ordered some hubs to limit dollar purchases in order to stem capital outflows, underscoring that the pressures on the Chinese currency market remain.

With the general improvement in risk sentiment, the oil price is also recovering this morning, increasing almost 2% while emerging market currencies are generally strengthening. Another evidence of improving risk appetite, the JPY is losing some ground against the USD and the EUR after gaining significantly over the past trading sessions.

Market overview

	07:30	1 day +/- %	
S&P500 (close)	1943.1	↓ -2.37	
S&P500 fut (chng from close)	1950.0	↑ 0.88	
Nikkei	17708.8	↓ -0.33	
Hang Seng	20516.8	↑ 0.90	
	17:00	07:30	+/- bp
US 2y gov	0.98	0.98	↑ 0.2
US 10y gov	2.19	2.17	↓ -2.1
iTraxx Europe (IG)	83	84	↑ 0.7
iTraxx Xover (Non IG)	342	345	↑ 2.8
			+/- %
EUR/USD	1.085	1.088	↑ 0.30
USD/JPY	118.000	118.320	↑ 0.27
EUR/CHF	1.09	1.09	↓ -0.14
EUR/GBP	0.744	0.744	↓ -0.02
EUR/SEK	9.254	9.236	↓ -0.20
EUR/NOK	9.67	9.67	↑ 0.02
			USD
Oil Brent, USD	34.4	34.4	↑ 0.20
Gold, USD	1103.7	1103.5	↓ -0.02

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

- **Denmark: DN increases the deposit rate by 10bp to -0.65%**
- **FX Strategy: CNY outlook - More weakness ahead**

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Scandi Markets

Denmark hiked the interest rate on certificates of deposit from -0.75% to -0.65%. The independent Danish rate hike follows DN's intervention in the FX market. The current-account limit was also lowered from DKK63bn to 32bn, which limits the effective increase in Cita rates as a larger share of the DKK liquidity now has to be placed at the CD rate. EUR/DKK spot initially dropped slightly below 7.46 after the announcement but quickly climbed back as the Danish rate hike was widely expected in the market, see *DN increases the deposit rate by 10bp to -0.65%, 7 January*.

Among economic news, numbers for industrial production are released in **Denmark and Sweden**. For Denmark, the number will give us an idea of whether the slightly more positive sentiment in global manufacturing has spread to Denmark.

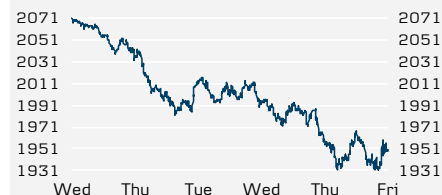
Fixed Income Markets

Volatility in the market remains elevated with issuance out of **France and Ireland** adding to upward pressure on core yields in yesterday's session. Ireland printed 3bn in the new 2026. At +24bp to EUR swap, the new issue premium was limited (if any) to the 25s that still look cheap on the curve. The healthy demand for Ireland was underlined by the 5-10Y segment continuing the tightening to France with another 2bp on the day.

FX Markets

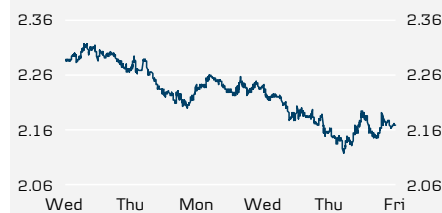
EUR/USD moved higher yesterday, thus defying the ongoing sell-off in equities and oil. What does this tell us? First, the falling oil price sends equities lower as risk appetite is impaired as the latest oil drop seems largely demand-driven. Second, EUR/USD is currently negatively correlated with both risk appetite and oil. The former suggests that the single currency is increasingly regarded a funding (safe-haven) currency; the latter underlines that the historically close co-movement of oil and EUR/USD is challenged, one reason for this being that the weaker oil price now benefits the eurozone relatively more than the US. Thus, an oil price that is set to stay 'lower for longer' in fact boosts the potential for EUR/USD to move higher further out. Today focus is on the US job report - a strong reading on jobs and/or earnings could lead USD markets to re-asses Fed in a more hawkish direction. Also keep an eye on **Canadian** employment with a Bank of Canada that may be on the brink of delivering another rate cut. **EUR/NOK** and **EUR/SEK** are seeing upward pressure with the latter now firmly out of possible intervention territory for the Riksbank as souring risk appetite is weighing on the SEK near term.

US S&P500 future



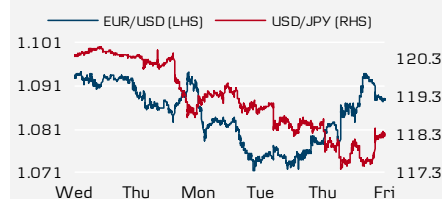
Source: Danske Bank Markets

US 10y gov yield



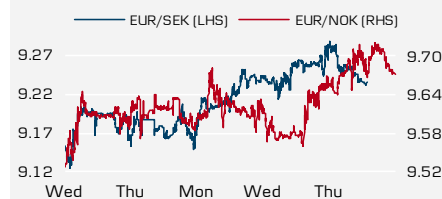
Source: Danske Bank Markets

Global FX



Source: Danske Bank Markets

Scandi FX



Source: Danske Bank Markets

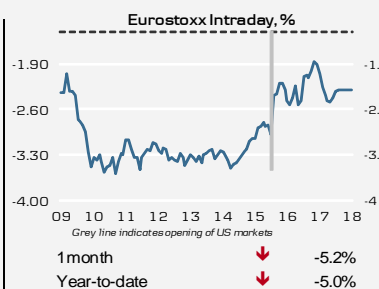
Key figures and events

Friday, January 8, 2016					Period	Danske Bank	Consensus	Previous
1:30	AUD	Retail sales	m/m	Nov		0.4%	0.5%	
2:30	JPY	Labor cash earnings	y/y	Nov		0.7%	0.7%	
6:00	JPY	Leading economic index, preliminary	Index	Nov		103.9	104.2	
7:45	CHF	Unemployment	%	Dec		3.4%	3.4%	
8:00	DEM	Industrial production	m/m y/y	Nov	0.7% ..	0.5% 0.5%	0.2% 0.0%	
8:00	DEM	Trade balance	EUR bn	Nov		20.2	22.3	
8:45	FRF	Industrial production	m/m y/y	Nov		-0.4% 3.1%	0.5% 3.6%	
9:00	DKK	Industrial production	m/m	Nov	-0.4%		-0.5%	
9:15	CHF	CPI	m/m y/y	Dec		-0.4% -1.3%	-0.1% -1.4%	
9:30	SEK	Industrial production s.a.	m/m y/y	Nov			-1.1% 4.0%	
9:30	SEK	Service production	m/m y/y	Nov			-0.3% 3.0%	
9:30	SEK	Industrial orders	m/m y/y	Nov			-19.2% 3.5%	
10:00	NOK	Credit indicator (C2)	y/y	Nov		5.5%	5.5%	
10:00	NOK	Manufacturing production	m/m y/y	Nov			-2.3% -8.4%	
10:00	NOK	Industrial production	m/m y/y	Nov			-2.6% -3.0%	
10:30	GBP	Trade balance	GBP mio.	Nov		-2500	-4140	
14:30	USD	Non farm payrolls	1000	Dec	200	200	211	
14:30	USD	Private payrolls	1000	Dec	195	191	197	
14:30	USD	Manufacturing payrolls	1000	Dec	0	0	-1	
14:30	USD	Unemployment	%	Dec	5.0%	5.0%	5.0%	
14:30	USD	Average hourly earnings, non-farm	m/m y/y	Dec	0.2% 2.8%	0.2% 2.8%	0.2% 2.3%	
14:30	USD	Average weekly hours	Hours	Dec		34.5	34.5	
14:30	CAD	Net change in full time employment	1000	Dec			36.6	
17:30	USD	Fed's Williams (non-voter, neutral) speaks						
19:00	USD	Fed's Lacker (non-voter, hawkish) speaks						
21:00	USD	Consumer credit	USD bn	Nov		18.3	16.0	

Source: Bloomberg, Danske Bank Markets

Today's market data: 08 January 2016

STOCKS



	Close		+/-
DJUSTOXX50	2944	↓	-2.3%
OMXC20	985	↓	-1.8%
OMXS30	1357	↓	-2.2%
OSE BX	565	↓	-2.8%
	Close		+/-
DOW JONES	16514	↓	-2.3%
NASDAQ	4689	↓	-3.0%
S&P500	1943	↓	-2.4%
NIKKEI (07:30)	17709	↓	-2.3%

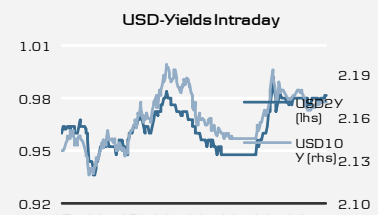
FX & COMMODITIES



EUR	17:00	07:30	+/-
USD	108.47	108.80	↑ 0.33
JPY	128.01	128.73	↑ 0.72
GBP	74.45	74.43	↓ -0.02
NOK	967.07	967.29	↑ 0.22
SEK	925.44	923.56	↓ -1.88
DKK	746.02	745.92	↓ -0.10
PLN	433.48	434.65	↑ 1.17
USD	17:00	07:30	+/-
JPY	118.00	118.32	↑ 0.32
GBP	145.70	146.18	↑ 0.48
CHF	100.18	99.73	↓ -0.45

	07:30	Gold, \$	Oil, Brent, \$
1 day	↓	-5.54	↑ 0.68
1 month	↑	28.50	↓ -5.83
Year-t-date	↑	42.04	↓ -2.85
	07:30	CRB 1M future	CRB, Raw Industrials
1 day	↓	-0.91	↓ -2.24
1 month	↓	-8.85	↑ 7.80
Year-t-date	↓	-7.60	↑ 3.55

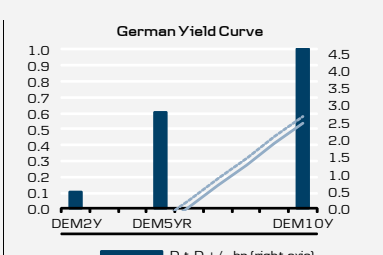
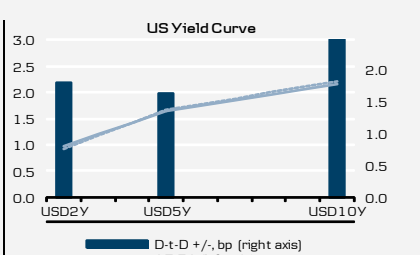
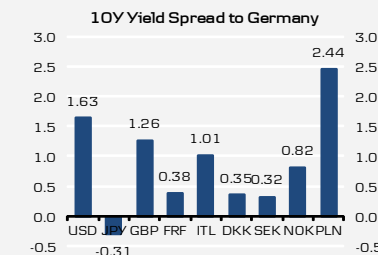
YIELDS & INTEREST RATES



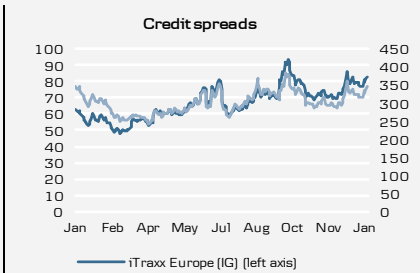
	Policy Rate	3M	Spread, bp
USD	0.50	0.62	12
EUR	0.05	-0.14	-19
GBP	0.50	0.59	9
DKK	0.05	-0.05	-10
SEK	-0.35	-0.32	3
NOK	0.75	1.12	37
PLN	1.50	1.62	12

	17:00	07:30	+/-, bp
USD 10Y	2.19	2.17	↓ -2
USD 30Y	2.96	2.94	↓ -3
JPY 10Y	0.24	0.23	↓ -1
	07:30(-1)*	17:00	+/-, bp
DEM 10Y	0.49	0.55	↑ 5
DKK 10Y	0.92	0.90	↓ -2
SEK 10Y	0.90	0.87	↓ -3
NOK 10Y	1.35	1.35	↑ 0
PLN 10Y	2.91	2.98	↑ 7

* As of closing previous trading day



	07:30	1 day	1 month
Europe (IG)	84	↑ 0	↑ 10
HiVol	116	↓ -2	↑ 25
Xover (N-IG)	345	↑ 1	↑ 43
Finan. Sr.	80	↑ 0	↑ 9
Finan. Sub.	169	↑ 0	↑ 20
Non-finan.			



	17:00	07:30	+/-
USD 10Y			
JPY 10Y	-10	-10	↑ 0
	07:30(-1)*	17:00	+/-
EUR 10Y	0	17	↑ 17
DKK 10Y	38	37	↓ -1
SEK 10Y	40	38	↓ -2
NOK 10Y	67	65	↓ -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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