

Danske Daily

Market Movers

- **Euro area unemployment figures for December will be released today.** We expect the decreasing trend to continue, which will be supportive for the economy. Note that the unemployment rate is now close to its structural level (NAIRU), which is the level where wage pressure usually starts to pick up.
- **In the evening, the Fed's vice chair George (voter, neutral) speaks.** After the FOMC meeting this week, we will look carefully for any comments on when to expect the next hike as the statement was relatively dovish without mentioning anything explicitly, see also *Less 'confident' Fed likely to stay on hold in March as well*, 27 January.
- **In Denmark currency reserve figures for January will be published,** see *Scandi Markets*.

Selected Market News

ECB QE programme returns to full speed. Data released yesterday showed that the ECB increased the run-rate of its asset purchase programme to EUR62.4bn in January, following the slowdown in December where purchases amounted to only EUR50.3bn. The data also showed that the ECB remained highly reliant on purchases of public-sector debt in January, with PSPP purchases amounting to EUR53.0bn or 85% of total purchases. In contrast, purchases of covered bonds conducted under the CBPP3 have moderated from a monthly average of EUR10.6bn until end-June 2015, to just EUR8.0bn since then. Meanwhile, at EUR2.3bn, monthly purchases of asset-backed securities reached its highest level since the ABSPP was launched, but with holdings amounting to just 2% of the total QE volume, the programme continues to play only a minor role.

Central bankers strike dovish tone. Speaking at the European Parliament, ECB President Mario Draghi yesterday added to expectations of additional easing to be announced at the March meeting, stating that inflation was 'tangibly weaker' than expected in December. He also reiterated remarks made last month that the bank would 'review and possibly reconsider' its stimulus in March. Later, across the Atlantic, Fed Vice President Stanley Fischer (voter, neutral) struck a dovish tone, casting further doubt on whether the Fed will deliver four hikes in 2016 as projected by the 'dots' in December. Specifically, he noted that an inflation overshoot due the unemployment rate falling somewhat below its long-run normal level would be appropriate in current circumstances.

ISM manufacturing disappoints slightly but shows signs of stabilisation. After sliding since June, the index rose in January, albeit slightly less than expected. Nonetheless, important subcomponents, including new orders also increased, the latter rising to the strongest level since August.

Reserve Bank of Australia kept cash rate unchanged, retaining an easing bias. As expected, the RBA stayed put this morning and we expect it to remain on hold for the coming 12 months.

Yesterday, we launched our new Twitter account where we tweet about macroeconomic and financial market developments. Please follow us on Danske Bank Research (link: https://twitter.com/Danske_Research).

Market overview

| | 07:30 | 1 day +/- % | |
|------------------------------|---------|-------------|---------|
| S&P500 (close) | 1939.4 | ↓ | -0.04 |
| S&P500 fut (chng from close) | 1919.7 | ↓ | -0.60 |
| Nikkei | 17739.5 | ↓ | -0.70 |
| Hang Seng | 19437.6 | ↓ | -0.81 |
| | 17:00 | 07:30 | +/- bp |
| US 2y gov | 0.80 | 0.79 | ↓ -1.2 |
| US 10y gov | 1.95 | 1.93 | ↓ -1.8 |
| iTraxx Europe (IG) | 94 | 94 | ↑ 0.3 |
| iTraxx Xover (Non IG) | 372 | 374 | ↑ 2.1 |
| | | | +/- % |
| EUR/USD | 1.089 | 1.091 | ↑ 0.16 |
| USD/JPY | 120.950 | 120.570 | ↓ -0.31 |
| EUR/CHF | 1.11 | 1.11 | ↑ 0.13 |
| EUR/GBP | 0.758 | 0.758 | ↓ -0.03 |
| EUR/SEK | 9.290 | 9.308 | ↑ 0.20 |
| EUR/NOK | 9.47 | 9.49 | ↑ 0.19 |
| | | | USD |
| Oil Brent, USD | 34.5 | 33.6 | ↓ -2.44 |
| Gold, USD | 1126.7 | 1125.7 | ↓ -0.09 |

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

- *Flash Comment US: ISM manufacturing has stabilised at a weak level*

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Scandi Markets

In Denmark the Nationalbank will publish currency reserves numbers for January today. These will be interesting, because the reserves spent most of 2015 on a downward trajectory after the influx of currency at the beginning of the year. Since the last release, however, the central bank has raised its CD rate and the ECB has opened the door to further monetary easing, both of which point to a smaller drop in the reserves than in previous months. We expect the ECB to cut interest rates in March and the Nationalbank to follow suit – see *Flash Comment Denmark: Denmark to mirror ECB cut in March*, 21January.

Fixed Income Markets

Flattening pressure seems to be back in EUR Fixed Income reminding of spring 2015 drivers. Although curves are still significantly steeper, 41% of the government bond market are yielding negative (was 33% at the yield trough in 2015) and ECB purchases must be beyond the 5Y point in Germany due to the deposit rate limit (a clear consequence of market pricing further rate cuts). We think these elements will contribute to a flattening pressure that will come from the investors moving out the curve for yield pick-up. We expect the 5-10Y slope to decline the most if the trend really starts to gain momentum. However, remember lessons learned from H1 15 and be careful chasing the trend too much - you need to get out in time!

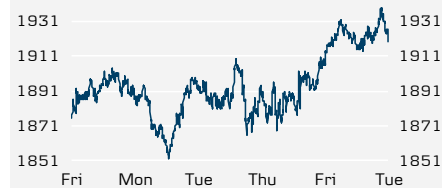
FX Markets

The GBP strengthened on Monday on the back of the positive news flows regarding EU-British negotiation ahead of the EU summit on 18/19 February. Our base case is that UK Prime Minister David Cameron will eventually get a deal with the EU that will be enough for undecided voters to opt for staying in the EU. However, it is a close call and GBP/USD and EUR/GBP are likely to trade in choppy and trend-less patterns ahead of the EUR summit.

EUR/NOK edged higher on Monday despite January manufacturing coming out better than expected. In addition, details were better than expected with new orders rising to 53.2. The PMI data alone suggest that the worst point for the Norwegian economy was in Q3 15 but other indicators for private consumption are softening. We believe that risks are skewed to the topside in EUR/NOK near term following the latest oil price rally. Our 1M and 3M EUR/NOK forecasts are 9.60.

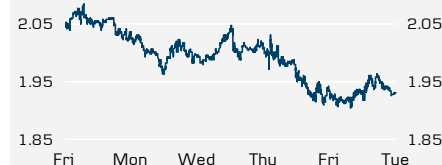
Monday's US data came out broadly in line with expectations with US ISM manufacturing stabilising at weak levels. We expect the DXY Index to stabilise during the week ahead of the all important January labour market report.

US S&P500 future



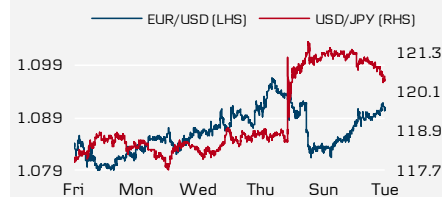
Source: Danske Bank Markets

US 10y gov yield



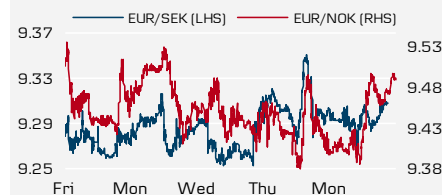
Source: Danske Bank Markets

Global FX



Source: Danske Bank Markets

Scandi FX



Source: Danske Bank Markets

Key figures and events

| Tuesday, February 2, 2016 | | | | Period | Danske Bank | Consensus | Previous |
|---------------------------|-----|---|---------|--------|--------------|-------------|-------------|
| - | USD | Total vehicle sales | m | Jan | | 17.5 | 17.22 |
| 4:30 | AUD | Reserve Bank of Australia rate decision | % | | 2.00% | 2.00% | 2.00% |
| 9:15 | CHF | Retail sales | y/y | Dec | | | -2.1% |
| 9:55 | DEM | Unemployment | % | Jan | | 6.3% | 6.3% |
| 10:30 | GBP | PMI construction | Index | Jan | | 57.6 | 57.8 |
| 11:00 | EUR | PPI | m/mly/y | Dec | | -2.8% -0.5% | -3.2% -0.2% |
| 11:00 | EUR | Unemployment | % | Dec | 10.4% | 10.5% | 10.5% |
| 16:00 | DKK | Currency reserves | DKK bn | Jan | | 410.0 | 434.9 |
| 19:00 | USD | Fed's George (voter, hawkish) speaks | | | | | |

Source: Bloomberg, Danske Bank Markets

Today's market data: 02 February 2016

STOCKS



| | | | |
|----------------|-------|---|-------|
| | Close | | +/- |
| DJSTOXX50 | 2894 | ↓ | -0.3% |
| OMXC20 | 974 | ↑ | 0.1% |
| OMXS30 | 1342 | ↓ | -1.0% |
| OSE BX | 557 | ↓ | -0.8% |
| | | | |
| | Close | | +/- |
| DOW JONES | 16449 | ↓ | -0.1% |
| NASDAQ | 4620 | ↑ | 0.1% |
| S&P500 | 1939 | ↓ | 0.0% |
| NIKKEI (07:30) | 17740 | ↓ | -0.3% |

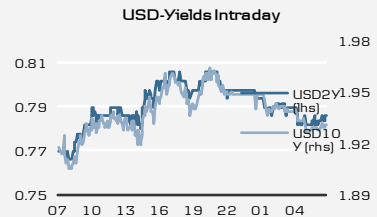
FX & COMMODITIES



| | | | |
|------------|--------|--------|---------|
| EUR | 17:00 | 07:30 | +/- |
| USD | 108.88 | 109.05 | ↑ 0.17 |
| JPY | 131.69 | 131.48 | ↓ -0.21 |
| GBP | 75.82 | 75.80 | ↓ -0.02 |
| NOK | 947.33 | 949.14 | ↑ 1.81 |
| SEK | 929.01 | 930.84 | ↑ 1.83 |
| DKK | 746.30 | 746.28 | ↓ -0.02 |
| PLN | 439.26 | 440.15 | ↑ 0.89 |
| USD | 17:00 | 07:30 | +/- |
| JPY | 120.95 | 120.57 | ↓ -0.38 |
| GBP | 143.61 | 143.87 | ↑ 0.26 |
| CHF | 101.94 | 101.92 | ↓ -0.02 |

| | | | |
|-------------|-------|---------------|----------------------|
| | 07:30 | Gold, \$ | Oil, Brent, \$ |
| | | 125.66 | 33.64 |
| 1day | ↓ | -2.74 | ↓ -0.60 |
| 1month | ↑ | 64.24 | ↓ -3.64 |
| Year-t-date | ↑ | 64.24 | ↓ -3.64 |
| | | | |
| | 07:30 | CRB 1M future | CRB, Raw Industrials |
| | | 163.49 | 417.70 |
| 1day | ↓ | -3.27 | ↑ 0.79 |
| 1month | ↓ | -12.66 | ↑ 12.99 |
| Year-t-date | ↓ | -12.66 | ↑ 12.99 |

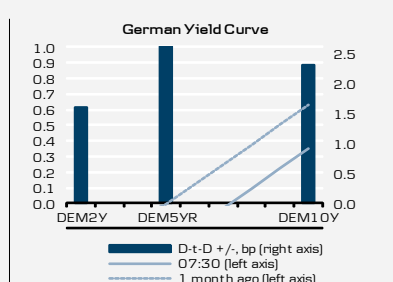
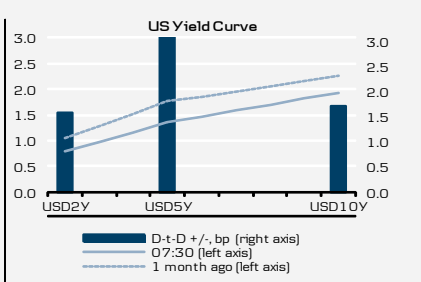
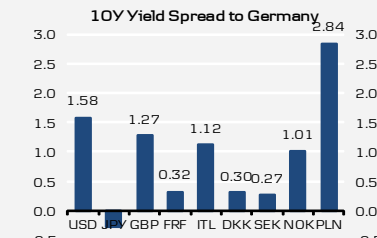
YIELDS & INTEREST RATES



| | | | |
|-----|-------------|-------|------------|
| | Policy Rate | 3M | Spread, bp |
| USD | 0.50 | 0.61 | 11 |
| EUR | 0.05 | -0.16 | -21 |
| GBP | 0.50 | 0.59 | 9 |
| DKK | 0.05 | -0.06 | -11 |
| SEK | -0.35 | -0.33 | 2 |
| NOK | 0.75 | 1.17 | 42 |
| PLN | 1.50 | 1.60 | 10 |

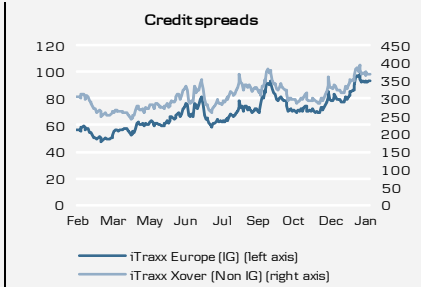
| | | | |
|---------|------------|-------|---------|
| | 17:00 | 07:30 | +/-, bp |
| USD 10Y | 1.95 | 1.93 | ↓ -2 |
| USD 30Y | 2.77 | 2.74 | ↓ -2 |
| JPY 10Y | 0.06 | 0.08 | ↑ 3 |
| | | | |
| | 07:30(-1)* | 17:00 | +/-, bp |
| DEM 10Y | 0.33 | 0.35 | ↑ 2 |
| DKK 10Y | 0.70 | 0.65 | ↓ -5 |
| SEK 10Y | 0.63 | 0.62 | ↓ -1 |
| NOK 10Y | 1.36 | 1.36 | 0 |
| PLN 10Y | 3.16 | 3.19 | ↑ 3 |

* As of closing previous trading day



| | | | |
|--------------|-------|------|--------|
| | 07:30 | 1day | 1month |
| Europe (IG) | 94 | ↓ 0 | ↑ 13 |
| HiVol | 126 | | ↑ 12 |
| Xover (N-IG) | 374 | ↑ 1 | ↑ 41 |
| | | | |
| Finan. Sr. | 94 | ↑ 0 | ↑ 14 |
| Finan. Sub. | 220 | ↑ 4 | ↑ 53 |
| Non-finan. | | | |

* Ask price



| | | | |
|---------|------------|-------|------|
| | 17:00 | 07:30 | +/- |
| USD 10Y | | | |
| JPY 10Y | -12 | -12 | ↑ 0 |
| | | | |
| | 07:30(-1)* | 17:00 | +/- |
| EUR 10Y | 0 | 20 | ↑ 20 |
| DKK 10Y | 34 | 34 | ↑ 0 |
| SEK 10Y | 44 | 42 | ↓ -2 |
| NOK 10Y | 65 | 65 | ↓ 0 |

* 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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