

22 February 2016

Danske Daily

Market Movers

- The main event this week is the G20 meeting in Shanghai. We expect a string of US economic data releases during the week and we kick off with the Manufacturing PMI today.
- There is also plenty of data from the eurozone and we start the week with eurozone PMI as well as German and French PMI and Italian inflation data.
- The next Irish general election will take place on Friday. The coalition government continues to slide in the polls and is likely to lose its absolute majority.
- Minutes from the Riksbank meeting on 10 February and Danish retail sales are due today, see *Scandi Markets*.

Selected Market News

Negative rating event on Spain as Moody's moved from a positive outlook to a stable outlook for Spanish government bonds. Hence, the expected upgrade back to single-A is likely to be postponed despite the solid growth outlook for the Spanish economy.

The UK and the EU signed a deal on Friday and afterwards PM David Cameron announced a date for the referendum on UK's EU membership (23 June). Currently, the 'Remain'-side is ahead of the 'Leave'-side but there is a large number of undecided voters. During the weekend a number of prominent conservatives including London Mayor B. Johnson supported the 'Leave'-side. This is putting pressure on the GBP this morning and there is plenty of risk ahead for the GBP, see FX comment on page 2.

The Asian stock markets opened higher this morning as the yen weakened and the oil price rose. Hence, the sentiment in the market is a bit more positive this morning despite HSBC reporting a surprising loss for Q4.

Market overview

	07:30	1 day +/- %	
S&P500 (close)	1917.8	↓	0.00
S&P500 fut (chng from close)	1925.0	↑	0.55
Nikkei	16136.7	↑	1.06
Hang Seng	19436.8	↑	0.78
	17:00	07:30	+/- bp
US 2y gov	0.73	0.76	↑ 3.3
US 10y gov	1.73	1.77	↑ 3.5
iTraxx Europe (IG)	112	113	↑ 0.7
iTraxx Xover (Non IG)	447	449	↑ 1.8
			+/- %
EUR/USD	1.112	1.111	↓ -0.09
USD/JPY	112.610	112.910	↑ 0.27
EUR/CHF	1.10	1.10	↑ 0.07
EUR/GBP	0.778	0.778	↑ 0.06
EUR/SEK	9.398	9.397	↓ -0.01
EUR/NOK	9.54	9.51	↓ -0.29
			USD
Oil Brent, USD	32.8	33.4	↑ 2.05
Gold, USD	1232.4	1217.7	↓ -1.19

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

- [Scandi Markets Ahead](#)
- [IMM positioning](#)

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Scandi Markets

Minutes from the Riksbank's policy meeting on 10 February are due for release at 09:30 CET. Two board members (Flodén and Ohlsson) voted against the decision to cut the repo rate by 15bp to -0.5% and the minutes will provide information about how they reasoned. In Denmark retail sales for January is released as well as employment data.

Fixed Income Markets

Last week's better than expected US data (retail sales, manufacturing production and initial job claims) have lightened fears about a US recession. This has lent some support to risk sentiment but credit in general continues to be weak and volatility remains elevated. The still fragile sentiment together with the sharp decline in market implied inflation expectations should lead to an even more accommodative stance from central banks, which could provide some stability to the market. We expect it to trigger further aggressive easing from the ECB in March (QE and depo cut) and the Fed to go to the sideline and halt rate hikes over the next six months.

There was a negative rating event on Friday as Moody's changed the outlook on Spain from positive to stable. The main reason was that the track record of meeting fiscal targets has been mixed in recent years and that it does not expect a new government to be able to implement structural reforms that will support growth over the coming three to four years despite the current reforms as well as higher than expected growth in Spain. This is not positive for Spanish government bonds in the short term given the uncertain political outlook.

Issuance in the European government bond market is dominated by the tap in the old 30Y German government benchmark as well as 15Y linker from Italy and possibly a new 10Y Italian benchmark. Finally, Belgium is doing a tap in the 10Y, 15Y and 25Y benchmarks for up to EUR 2.8bn.

FX Markets

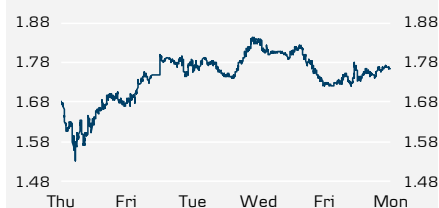
The GBP markets are under pressure after UK PM Cameron signed an EU deal on Friday and notably the mayor of London, Boris Johnson, backed a Brexit on these grounds. With polls suggesting the June referendum will be very close, the GBP crosses are likely to be haunted by the uncertainty surrounding the UK in coming months. Also the negative impact of a possible Brexit for the eurozone could increasingly become a focus point and weigh on EUR crosses. In the Scandi sphere watch out for Riksbank minutes today: the Feb meeting gave us a great chance to sell EUR/SEK but we took profit on this trade on **Friday** as the pair has now closed the gap to fair value and risk appetite seems to be stalling. EUR/NOK has edged lower and this week's oil investment survey will be instrumental in setting the route for the cross near term; we deem a new leg higher may be in store.

US S&P500 future



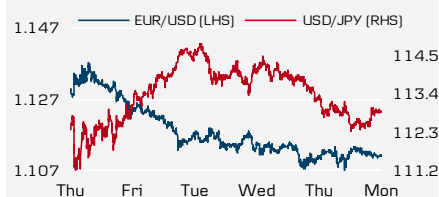
Source: Danske Bank Markets

US 10y gov yield



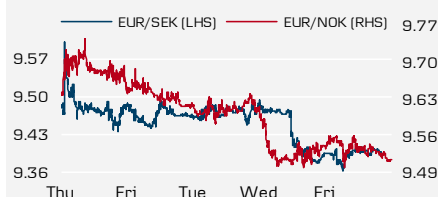
Source: Danske Bank Markets

Global FX



Source: Danske Bank Markets

Scandi FX



Source: Danske Bank Markets

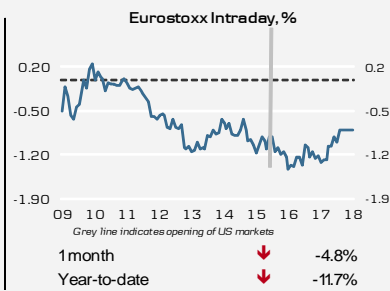
Key figures and events

Monday, February 22, 2016			Period	Danske Bank	Consensus	Previous
3:00	JPY	Nikkei Manufacturing PMI, preliminary	Index		52.0	52.3
9:00	DKK	Employment (monthly)	1.000 m/m	2.0		5.0 0.2%
9:00	DKK	Retail sales	m/m y/y		0.3% ..	-0.8% 0.0%
9:00	FRF	PMI manufacturing, preliminary	Index	49.7	49.9	50.0
9:00	FRF	PMI services, preliminary	Index	49.8	50.3	50.3
9:30	SEK	Riksbank minutes from February 10 meeting				
9:30	DEM	PMI manufacturing, preliminary	Index	51.7	52.0	52.3
9:30	DEM	PMI services, preliminary	Index	54.8	54.8	55.0
10:00	ITL	HICP inflation, final	m/m y/y			.. 0.4%
10:00	EUR	PMI manufacturing, preliminary	Index	51.8	52.0	52.3
10:00	EUR	PMI composite, preliminary	Index		53.3	53.6
10:00	EUR	PMI services, preliminary	Index	53.3	53.4	53.6
15:45	USD	Markit manufacturing PMI, preliminary	Index		52.5	52.4

Source: Bloomberg, Danske Bank Markets

Today's market data: 22 February 2016

STOCKS



	Close		+/-
DJUSTOXX50	2737	↓	-0.8%
OMXC20	913	↓	-0.9%
OMXS30	1356	↓	-0.5%
OSE BX	550	↓	-1.3%
	Close		+/-
DOW JONES	16392	↓	-0.1%
NASDAQ	4504	↑	0.4%
S&P500	1918	↓	0.0%
NIKKEI (07:30)	16137	↓	-0.8%

FX & COMMODITIES

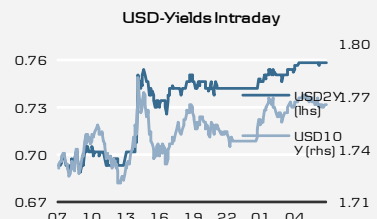


EUR	17:00	07:30	+/-
USD	111.22	111.12	↓ -0.10
JPY	125.24	125.46	↑ 0.22
GBP	77.79	77.83	↑ 0.05
NOK	954.18	951.39	↓ -2.79
SEK	939.84	939.70	↓ -0.14
DKK	746.27	746.29	↑ 0.02
PLN	437.45	438.22	↑ 0.77
USD	17:00	07:30	+/-
JPY	112.61	112.91	↑ 0.30
GBP	142.98	142.77	↓ -0.21
CHF	98.98	99.14	↑ 0.16

	Gold, \$	Oil, Brent, \$
07:30	1217.72	33.43
1 day	↓ -8.58	↑ 0.42
1 month	↑ 119.72	↑ 1.25
Year-t-date	↑ 156.30	↓ -3.85
	CRB 1M future	CRB, Raw Industrials
07:30	159.63	420.97
1 day	↓ -2.26	↑ 0.06
1 month	↓ -4.17	↑ 115.5
Year-t-date	↓ -16.51	↑ 16.26

* The chart plots 07:30 - 23:00 Fri and 23:00 Sun to 07:30 Mon

YIELDS & INTEREST RATES

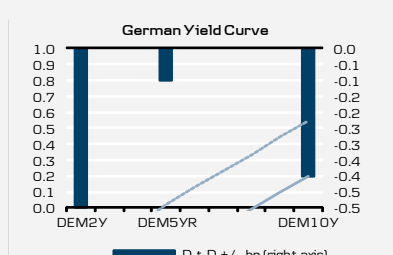
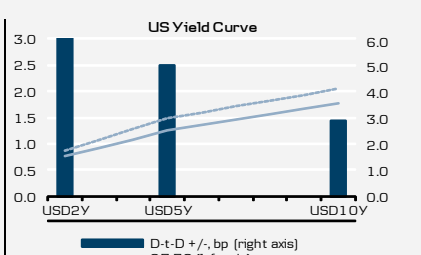
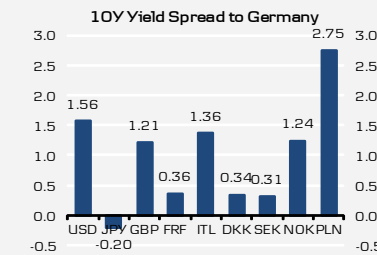


	Policy Rate	3M	Spread, bp
USD	0.50	0.62	12
EUR	0.05	-0.20	-25
GBP	0.50	0.59	9
DKK	0.05	-0.09	-14
SEK	-0.50	-0.47	3
NOK	0.75	1.05	30
PLN	1.50	1.59	9

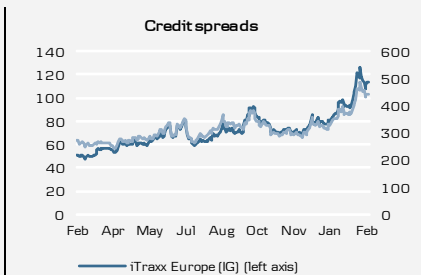
	17:00	07:30	+/-, bp
USD 10Y	1.73	1.77	↑ 3
USD 30Y	2.58	2.62	↑ 4
JPY 10Y	0.01	0.00	↓ -1
	07:30(-1)*	17:00	+/-, bp
DEM 10Y	0.21	0.19	↓ -1
DKK 10Y	0.57	0.54	↓ -3
SEK 10Y	0.54	0.51	↓ -3
NOK 10Y	1.44	1.44	↑ 0
PLN 10Y	2.95	2.95	↓ 0

* The chart plots 07:30 - 23:00 Fri and 23:00 Sun to 07:30 Mon

* As of closing previous trading day



	07:30	1 day	1 month
Europe (IG)	113	↑ 0	↑ 19
HiVol	143	↑ 0	↑ 14
Xover (N-IG)	449	↓ -1	↑ 75
Finan. Sr.	122	↑ 0	↑ 32
Finan. Sub.	278	↓ 0	↑ 78
Non-finan.			



	17:00	07:30	+/-
USD 10Y			
JPY 10Y	-15	-14	↑ 1
	07:30(-1)*	17:00	+/-
EUR 10Y	0		
DKK 10Y	37	38	↑ 1
SEK 10Y	41	41	↑ 0
NOK 10Y	68	67	↓ -1

* Ask price

* As of closing previous trading day

** Ask price

Source: Bloomberg, Danske Bank Markets

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