

09 June 2015

# Danske Daily

## Market Movers

- Focus remains on **Greece**. The President of the European Commission, Juncker, has insisted that a detailed counter-proposal from Greece is needed for the negotiations to move ahead. Near term focus is on a possible high-level meeting tomorrow in connection with the EU-Latin American summit in Brussels where Merkel, Hollande, Juncker and Tsipras will all be present.
- The data calendar is light today with only a number of secondary releases that usually do not have substantial market impact. In the euro area, Spain will release final GDP for Q1 and Germany will release wage costs for Q1. In the US, NFIB small business sentiment for May is published.
- There are also a number of speeches from ECB board members: Liikanen at 7:30 CET, Weidmann at 10:00 CET, Makuch at 13:00 CET and Nouy at 16:00 CET.
- No tier-1 Scandi releases today. *For more on Scandi markets see page 2.*

## Selected Market News

The sell-off in core European bond markets continued yesterday, although less violently than last week. Positioning remains a key driver, as Q1 consensus trades are unwound (the rise in EUR/USD is testimony to this), but the trough in European inflation and improving macro data are also affecting the market.

The 10-year German government bond yield rose back towards 0.9% (the peak so far was Thursday's 0.99%) after comments by ECB's Nowotny saying that higher yields are an indication that QE is a success - following up on the comments by Draghi last week that we should get used to higher volatility in the bond market.

Our fixed income research team considers the latest move lower in Bunds excessive but the elevated volatility makes it unattractive to be long in this market. See also *Bond yields to go higher in coming months - but don't expect a long bear market* from 11 May 2015.

Europe was the big positive surprise in Q1 and US the big negative. However, this has changed and the relative gap in economic data surprises is closing. The US economic surprise index (measuring how macro data come out relative to analyst expectations) is at its highest since February, while the European one is back at January levels.

As a result, the Q1 European equity market outperformance is reversing with the S&P500 beating the EuroStoxx 50 in all months since March. Yesterday was no exception with the key European indices down more than 1%. Given the current macro momentum there is no reason why the European underperformance could not continue into July.

Asian equity markets were mainly lower overnight. The key data release in the Asian session was Chinese inflation that fell back to 1.2% - near the cycle low from January.

## Market overview

	07:30	1 day +/- %
S&P500 (close)	2079.3	↓ -0.65
S&P500 fut (chng from close)	2080.2	↑ 0.10
Nikkei	20288.0	↓ -0.83
Hang Seng	27038.3	↓ -1.02
	17:00	07:30 +/- bp
US 2y gov	0.69	0.68 ↓ -1.6
US 10y gov	2.38	2.37 ↓ -0.9
iTraxx Europe (IG)	69	69 ↑ 0.3
iTraxx Xover (Non IG)	313	314 ↑ 1.8
		+/- %
EUR/USD	1.121	1.133 ↑ 1.03
USD/JPY	125.310	124.440 ↓ -0.69
EUR/CHF	1.05	1.05 ↓ -0.06
EUR/GBP	0.734	0.737 ↑ 0.48
EUR/SEK	9.372	9.382 ↑ 0.11
EUR/NOK	8.85	8.83 ↓ -0.13
		USD
Oil Brent, USD	62.8	62.9 ↑ 0.18
Gold, USD	1170.8	1178.3 ↑ 0.64

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

- *IMM Positioning: JPY shorts limit USD/JPY upside*
- *Scandi Markets Ahead: Time for inflation data, which are expected to pick-up slightly from low levels*

### Chief Analyst

Kasper Kirkegaard  
+45 45 13 70 18  
kaki@danskebank.com

## Scandi Markets

**Denmark.** Exports of goods in April are released today. We estimate a fall of 2% m/m, following the sharp rise of 7.1% in March. Despite this slight decrease m/m, exports are still making headway, thanks partly to the weak DKK and increasing growth in Europe. We estimate a current account surplus of DKK12bn (seasonally adjusted) in April, largely unchanged from DKK12.4bn in March.

## Fixed Income Markets

The most recent move upwards in bond yields have made German Bunds cheaper and it seems that we are in for a test of the 1%-level in Bunds. We think the recent move is excessive and would like to go long the 10Y segment but we have to 'respect' the volatility and the comments from ECB, so we stay sidelined for now.

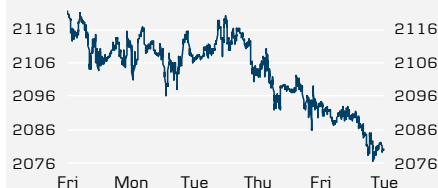
In the European government bond market Austria and the Netherlands are coming to the market today. The Netherlands is selling in the 3Y benchmark, while Austria is selling in the 4Y and 5Y segment. These auctions should be fairly uneventful. Focus is on the possible issuance of a new 30Y linker from Germany.

## FX Markets

The EUR gained yesterday against all G10 currencies supported by yet another sell-off in longer-dated European bonds. As such, the current sell-off is quite similar to the one in risky assets in mid April when investors sold Bunds, equities and bought EUR/USD simultaneously. The recent price action might seem a bit overdone but could easily continue. In fact, both Liikanen and Weidmann from the ECB speak today and might repeat some of Draghi's relative hawkish statements from last week. Hence, in the very near term, risks are probably skewed to the upside for EUR/USD as further short EUR/USD bets are likely to be flushed out.

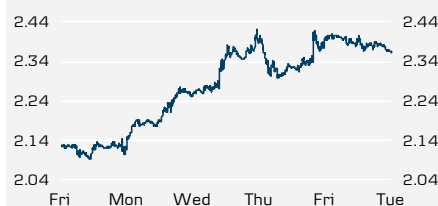
US data have shown signs of stabilisation and we expect US economic data to improve substantially in the coming months supporting the case for a Fed rate hike in September. This should also add some support to the USD. However, there are no important US data to change investor sentiment before Thursday, when the May retail sales report is due. Here we have an above-consensus estimate of a 1.4% m/m increase in overall retail sales, which should confirm that the US GDP will increase in Q2.

### US S&P500 future



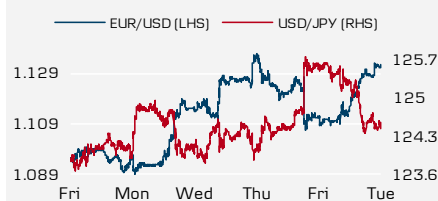
Source: Danske Bank Markets

### 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, June 9, 2015					Period	Danske Bank	Consensus	Previous
1:50	JPY	Money supply M2	y/y	May				3.6%
3:30	CNY	PPI	y/y	May			-4.5%	-4.6%
3:30	CNY	CPI	y/y	May		1.2%	1.4%	1.5%
3:30	AUD	NAB Business Conditions	Index	May				4.0
7:00	JPY	Consumer confidence	Index	May				41.5
7:45	CHF	Unemployment	%	May				3.3%
8:00	DEM	Labour costs	q/q y/y	1st quarter				1.0% 2.0%
9:00	ESP	House price index	q/q y/y	1st quarter				0.2% 1.8%
9:00	DKK	Current account (s.a.)	DKK bn	Apr		12.0		12.4
9:00	DKK	Current account (not s.a.)	DKK bn	Apr		11.0		2.9
9:00	DKK	Exports (s.a.)	DKK bn	Apr		55.6		56.7
9:00	DKK	Trade balance ex ships	DKK bn	Apr		7.0		8.5
9:15	CHF	CPI	m/m y/y	May				-0.2% -1.1%
10:30	GBP	Trade balance	GBP bn	Apr			-2600	-2817
15:00	USD	NFIB small business optimism	Index	May				96.9

Source: Bloomberg, Danske Bank Markets

# Today's market data: 09 June 2015

## STOCKS



	Close	+/-
DJSTOXX50	3322	-0.8%
OMXC20	960	-1.8%
OMXS30	1590	-1.1%
OSE BX	652	0.3%
DOW JONES	17767	-0.5%
NASDAQ	5022	-0.9%
S&P500	2079	-0.6%
NIKKEI (07:30)	20288	-0.8%

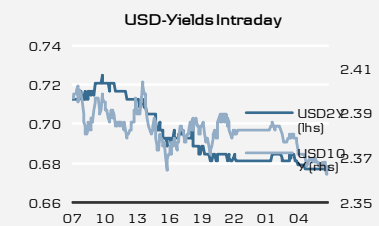
## FX & COMMODITIES



	17:00	07:30	+/-
<b>EUR</b>			
USD	112.09	113.25	1.16
JPY	140.46	140.93	0.47
GBP	73.38	73.74	0.35
NOK	884.64	883.47	-1.17
SEK	937.18	938.17	0.99
DKK	745.86	745.85	-0.01
PLN	416.98	417.88	0.90
<b>USD</b>			
JPY	125.31	124.44	-0.87
GBP	152.76	153.58	0.82
CHF	93.61	92.60	-1.01

	Gold, \$	Oil, Brent, \$
07:30	1178.33	62.92
1 day	4.26	0.23
1 month	-10.05	-2.47
Year-t-date	-6.53	5.59
<b>CRB</b>		
1M future	223.03	470.03
1 day	0.50	3.49
1 month	-6.13	-5.19
Year-t-date	-6.92	-22.08

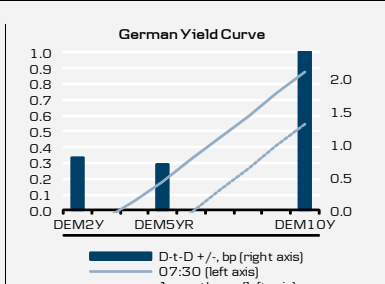
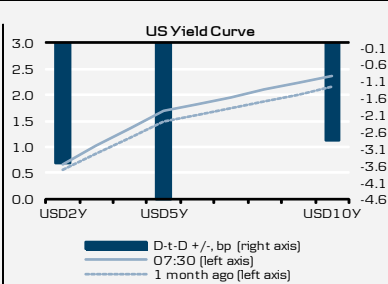
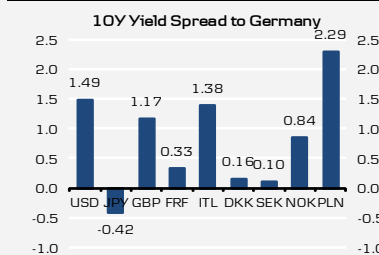
## YIELDS & INTEREST RATES



	Policy Rate	3M	Spread, bp
USD	0.25	0.28	3
EUR	0.05	-0.01	-6
GBP	0.50	0.57	7
DKK	0.05	-0.20	-25
SEK	-0.25	-0.25	0
NOK	1.25	1.37	12
PLN	1.50	1.58	8

	17:00	07:30	+/-, bp
USD 10Y	2.38	2.37	-1
USD 30Y	3.09	3.10	0
JPY 10Y	0.50	0.46	-4
DEM 10Y	0.86	0.89	3
DKK 10Y	1.04	1.05	1
SEK 10Y	0.97	0.99	2
NOK 10Y	1.72	1.72	0
PLN 10Y	3.17	3.16	0

\* As of closing previous trading day

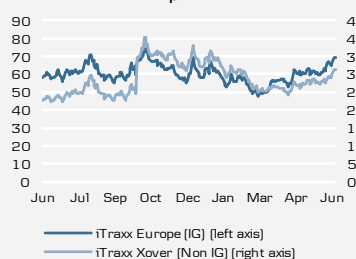


## Credit spread, iTraxx s. 11\*

	07:30	1 day	1 month
Europe (IG)	69	0	9
HiVol	62	0	1
Xover (N-IG)	314	0	36
Finan. Sr.	80	0	6
Finan. Sub.	164	1	9
Non-finan.			

\* Ask price

## Credit spreads



## Swap Spread, bp\*\*

	17:00	07:30	+/-
USD 10Y			
JPY 10Y	8	8	0
EUR 10Y	0	18	18
DKK 10Y	30	30	0
SEK 10Y	44	46	2
NOK 10Y	56	56	0

\* As of closing previous trading day

\*\* Ask price

Source: Bloomberg, Danske Bank Markets

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