

# Danske Daily

## Market movers today

- **May PMIs** are the key data releases today.
- Consensus expectation is for an unchanged **US ISM manufacturing** at 50.7 but we see potential for a slight improvement. If confirmed, this should fuel expectations further of Fed QE reduction this year. San Francisco Fed president John Williams will also be speaking this afternoon. Williams is one of the doves who recently have signalled willingness to consider scaling down QE.
- As **the euro area** PMI flash estimate has already been released (improved to 47.8), the most interesting part of today's release will be the first estimate of manufacturing PMIs in Italy and Spain. We expect to see improvements in both, albeit from still depressed levels.
- **UK** manufacturing PMI is also expected to rise slightly, which would mark the third month of improvement. The Bank of England publishes funding for lending data for Q1. Any signs that the funding for lending programmes have been able to boost banks' corporate lending could ease pressure for additional easing.
- In **Scandinavia** manufacturing PMIs are expected to have moved back above 50 in both Sweden and Norway.

## Selected market news

The official **China manufacturing PMI** showed an improvement to 50.8 in May but focus is on the divergence to the HSBC manufacturing PMI released this morning, which fell to 49.2 and thus below the neutral 50 level for the first time since October.

**Japanese equity markets** continue to struggle in high volatility trading. After having lost 6% last week the Nikkei index is down again significantly this morning – seeing USD/JPY close to testing the 100 level.

Recent weeks' price action raises the question: is this just noise and profit taking following a six-month rally, or are investors beginning to question **Bank of Japan's** (BoJ) ability to deliver? Considering that break-even inflation has also fallen recently it does appear that the BoJ has lost some credibility in the market and how it communicates over the coming months will therefore be quite important.

Following two days of gains **US treasuries** came under pressure again Friday with the 10-year yield closing at 2.13% - around which it has traded overnight. Timing of a reduction in Fed's QE remains the dominant market theme and Friday's employment report should thus be decisive for the short-term market direction.

## Market overview

	07:30	1 day +/- %	
S&P500 (close)	1630.7	↓ -1.43	
S&P500 fut (chng from close)	1631.7	↑ 0.17	
Nikkei	13316.2	↓ -3.33	
Hang Seng	22477.1	↑ 0.38	
	17:00	07:30	
		+/-, bp	
US 2y gov	0.31	0.30	↓ -0.8
US 10y gov	2.16	2.15	↓ -1.4
iTraxx Europe (IG)	103	104	↑ 0.4
iTraxx Xover (Non IG)	422	424	↑ 1.4
			+/-, %
EUR/USD	1.295	1.301	↑ 0.44
USD/JPY	101.050	100.460	↓ -0.58
EUR/CHF	1.25	1.24	↓ -0.15
EUR/GBP	0.855	0.855	↓ -0.04
EUR/SEK	8.611	8.610	↓ -0.02
EUR/NOK	7.63	7.63	↑ 0.07
			USD
Oil Brent, USD	101.0	100.3	↓ -0.75
Gold, USD	1393.3	1394.9	↑ 0.11

### 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

## Scandi markets today

**Norwegian** industry has proved remarkably resilient after the European debt crisis hit the global economy with a vengeance last summer. In spite of a strong Norwegian krone and Norway's high wage level, the industrial sector has done significantly better in Norway than in neighbouring countries. The PMI index has signalled a broadly sideways movement since the beginning of this year and edged below 50 in April, indicating a decline in industrial activity. Given the signs of stabilisation in Europe and the US, we expect Norwegian PMI to have increased to 50.2 in May on the back of continued high activity in domestic, oil-related sectors.

We expect **Swedish** manufacturing PMI to rise slightly above the 50 expansion level to 50.5 - in line with the recent uptick in European preliminary data.

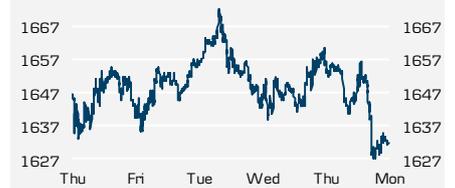
## Fixed Income markets

In Europe the final PMIs will be a key piece of information judging the outcome of the ECB meeting on Thursday. An upward revision from the flash estimate could dampen the expectations for ECB action already at the upcoming June meeting and put further steepening pressure on the Euribor forward strip. While we believe it is starting to look interesting to receive in the front end of the Euribor curve, it is not clear to us whether positioning is neutral in this part of the curve. Further, we would prefer not to be exposed too far out on the curve, as a further US fixed income sell-off could be a non-negligible negative factor here. In that sense today's ISM data will be important for the QE tapering debate in the market. While we look for a better-than-expected figure, Friday's surprisingly strong Chicago PMI has probably boosted the whisper number and the market should be well prepared for this. With month-end extensions clearly supporting the fixed income market on Friday, the price action today will be interesting. The risk-off sentiment in Asia trading and a further recovery in 10Y JGBs following a brief visit around the 1.0% area suggest some support to EUR core markets from the morning. No euro government bond issuance today.

## FX markets

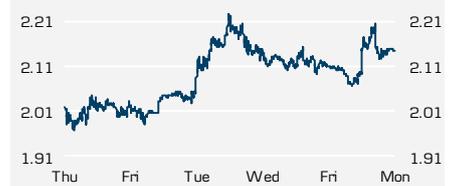
The emerging market and high-yielding currencies came under heavy pressure last week with ZAR and BRL down more than 4%. Expectations about Fed tapering, weak Chinese data and high volatility in the Japanese markets are all plausible explanations and given the erratic nature of the sell-off we recommend staying cautious. As our EM strategists argue in *Emerging Markets FX – how bad can it get?*, 31 May, risks are too high to consider this a buying opportunity. If expectations about Fed QE tapering are a key driver, we would especially stay away from the 'capital importers' such as TRY, ZAR, NZD and AUD. Investors were already very short AUD but have added even further to short positions last week according to the IMM data.

### 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, June 3, 2013				Period	Danske Bank	Consensus	Previous
8:30	SEK	PMI	Index	May	50.5		49.6
9:00	NOK	PMI	Index	May	50.2		48.9
9:15	ESP	PMI manufacturing	Index	May	45.0		44.7
9:45	ITL	PMI manufacturing	Index	May	46.1	45.8	45.5
9:50	FRF	PMI manufacturing, final	Index	May	45.6	45.5	45.5
9:55	DEM	PMI manufacturing, final	Index	May	49.1	49.0	49.0
10:00	EUR	PMI manufacturing, final	Index	May	47.9	47.8	47.8
10:30	GBP	PMI manufacturing	Index	May		50.1	49.8
11:00	DKK	Danish PMI	Index	May			49.5
13:20	USD	Fed's Williams (non-voter, dove) speaks					
14:58	USD	Markit manufacturing PMI, final		May		52.0	52.0
16:00	USD	Construction spending	USD bn	Apr		1.0%	-1.7%
16:00	USD	ISM manufacturing	Index	May	51.2	50.5	50.7
16:00	USD	ISM prices paid	Index	May	49.5		50.0
23:00	USD	Total Vehicle Sales	m	May		15.10	14.88

Source: Bloomberg, Danske Bank Markets

Today's market data: 03 June 2013

STOCKS



	Close	+/-
DJSTOXX50	2743	↓ -0.9%
OMXC20	535	↓ -1.6%
OMXS30	1215	↓ -0.8%
OSE BX	492	↓ -0.1%
	Close	+/-
DOW JONES	15116	↓ -1.4%
NASDAQ	3456	↓ -1.0%
S&P 500	1631	↓ -1.4%
NIKKEI (07:30)	13316	↓ -0.9%

FX & COMMODITIES



<b>EUR</b>	17:00	07:30	+/-
USD	129.53	130.10	↑ 0.57
JPY	130.89	130.69	↓ -0.20
GBP	85.52	85.49	↓ -0.03
NOK	762.52	763.06	↑ 0.54
SEK	861.12	860.98	↓ -0.14
DKK	745.57	745.51	↓ -0.06
PLN	427.83	427.30	↓ -0.53
<b>USD</b>	17:00	07:30	+/-
JPY	101.05	100.46	↓ -0.59
GBP	151.46	152.18	↑ 0.72
CHF	96.18	95.62	↓ -0.56

	Oil, Brent, \$
07:30	1394.85
1day	↑ 6.93
1month	↓ -75.90
Year-t-date	↓ -280.50
	CRB, CRB, Raw Industrials
07:30	28185
1day	↓ -191
1month	↓ -8.32
Year-t-date	↓ -13.16

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

YIELDS & INTEREST RATES

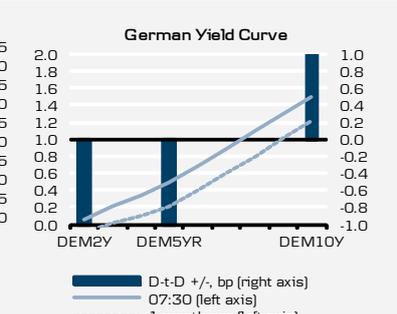
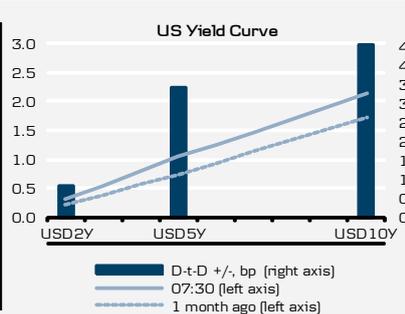
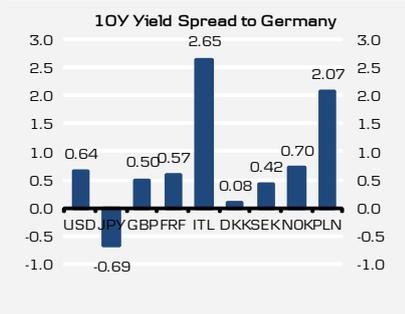


	Policy Rate	3M	Spread, bp
USD	0.25	0.28	3
EUR	0.50	0.20	-30
GBP	0.50	0.51	1
DKK	0.20	0.24	4
SEK	1.00	1.20	20
NOK	1.50	1.75	25
PLN	3.00	2.64	-36

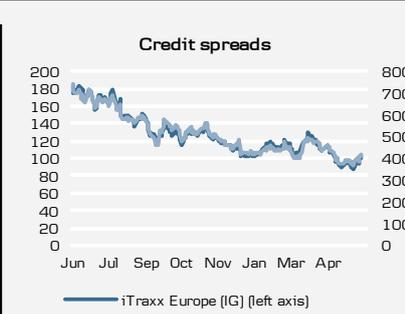
	17:00	07:30	+/-, bp
USD 10Y	2.16	2.15	↓ -1
USD 30Y	3.32	3.30	↓ -2
JPY 10Y	0.86	0.82	↓ -4
	07:30(-1)*	17:00	+/-, bp
DEM 10Y	1.50	1.52	↑ 2
DKK 10Y	1.58	1.60	↑ 3
SEK 10Y	1.91	1.93	↑ 2
NOK 10Y	2.21	2.21	↑ 0
PLN 10Y	3.52	3.58	↑ 6

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

\* As of closing previous trading day



	07:30	1day	1month
Europe (IG)	104	↑ 3	↑ 12
HiVol	154	↑ 5	↑ 10
Xover (N-IG)	424	↑ 11	↑ 44
Finan. Sr.	148	↑ 2	↑ 15
Finan. Sub.	215	↑ 6	↓ -3
Non-finan.	21	↑ 0	↑ 0



	17:00	07:30	+/-
USD 10Y			
JPY 10Y	17	18	↑ 1
	07:30(-1)*	17:00	+/-
EUR 10Y	0		
DKK 10Y	21	22	↑ 1
SEK 10Y	29	30	↑ 1
NOK 10Y	46	44	↓ -2

\* Ask price

\* As of closing previous trading day

\*\* Ask price