

# Danske Daily

## Market movers today

- **The German IFO business survey will give more information about whether the negative impact from the global slowdown in Q1 is about to fade.** We expect the expectation component to decline whereas the current assessment index should continue to improve, reflecting the current strength of the German economy. Yesterday German PMI manufacturing increased marginally and the details showed the new export orders component is declining at a slower pace after it peaked in January.
- **In the US we expect new home sales to have increased modestly in May after a large jump in April.** Yesterday existing home sales data for May surprised to the upside resulting in a strong rebound in April and May after being on a declining trend from July last year to March this year. New home sales constitute a small share of total home sales and have historically been a lot more volatile than existing home sales.
- **US consumer confidence is also due for release and is expected to increase to 83.5 in June from 83.0 in May.** If this consensus expectation proves right, it will be the strongest sentiment among consumers in around six years.
- **Following last week's FOMC meeting, the Fed's Plosser speaks on economic outlook and monetary policy and is expected to hold a Q&A.** Plosser is considered hawkish and the risk is that he will put more focus on the recent higher core inflation even though the Fed continued its dovish tone last week.
- **ECB's Coeure also speaks today at a policy panel on "rethinking economics after the crisis" in connection with the ESCB's Macro-prudential Research Network.**

## Selected market news

**Ahead of the EU summit to be held on Friday a 'strategic agenda' written by Herman Van Rompuy shows that focus of the summit will be on limiting ambitions on policy issues and ease of austerity demand,** see *FT*. In the draft it says that "The union should only act when together we can achieve more than individual countries" which should be seen in light of the victory for anti-EU parties at the EU parliament election last month. Regarding fiscal measures, the strategic agenda mentions the rules "built-in flexibility" and the need to take "bold steps" on investments which is something especially Italy and France have requested. Last year when the EU leaders started to put more focus on growth-promoting policies instead of trying to save their way out of the crisis, it was supportive for European sovereign spread compressions.

**Otherwise it has been quiet overnight.** US stock markets finished essentially unchanged yesterday following a six-day rally in the S&P500. Asian shares are higher this morning supported by strong manufacturing data from China, Japan and the US released yesterday. The oil price has declined after concerns waned that a Sunni Islamist insurgency in Iraq would cut the country's oil exports.

## Market overview

	07:30	1 day +/-,%	
S&P500 (close)	1962.6	↓ -0.01	
S&P500 fut (chng from close)	1951.2	↓ -0.09	
Nikkei	15396.0	↑ 0.17	
Hang Seng	22884.8	↑ 0.35	
	17:00	07:30	+/-, bp
US 2y gov	0.46	0.46	↑ 0.4
US 10y gov	2.60	2.62	↑ 2.1
iTraxx Europe (IG)	58	58	↑ 0.3
iTraxx Xover (Non IG)	228	228	↑ 0.2
			+/-, %
EUR/USD	1.359	1.360	↑ 0.02
USD/JPY	101.900	101.930	↑ 0.03
EUR/CHF	1.22	1.22	↑ 0.05
EUR/GBP	0.799	0.799	↓ -0.06
EUR/SEK	9.112	9.110	↓ -0.02
EUR/NOK	8.32	8.31	↓ -0.11
			USD
Oil Brent, USD	114.2	113.8	↓ -0.29
Gold, USD	1316.4	1315.0	↓ -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 shows 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

- *China: HSBC manufacturing PMI above 50 in June - recovery gaining traction*
- *Euro PMIs weaker than expected, but details in the service sector improving*
- *Scandi markets ahead: Will the Riksbank do a Norges Bank?*

## Scandi markets today

There are no key figures or events in Scandi today.

## Fixed income markets

Not only low inflation and ECB easing, but also weaker-than-expected growth data have added downward pressure to core European bond yields over the past couple of months. The economic data surprise index is now approaching the lowest level for more than a year and yesterday the string of negative data surprises continued, with the disappointment in the flash PMI data. This led to another decline in bond yields and the 10-year German rate is now approaching the May lows. Today's Ifo index is likely to show another decline in the important expectations component, which will probably add further downward pressure on core EUR bond yields.

In the EUR govie market the Netherlands is tapping EUR1-2bn in the Jul-16 and the Jan-42. If you think 2Y NETHER at 8bp sounds expensive just recall that it traded in negative territory during H2 12 with the refi rate 60bp higher than the current level. We expect the short end of NETHER to come further down in H2 after the TLTRO. Note also that the Dutch DMO released its Q3 issuance calendar on Friday. The DSTA will tap the Jul-24 twice in Q3 (on 8 July and 9 September) and introduce a new 5Y in September/October.

In Scandinavia the main event is the Norwegian NOK3bn tap of the Mar-24. Ahead of the auction Norges Bank will be conducting the second of a series of buybacks in the NGB May-15. We expect to see strong interest again as it is attractive to roll further out on the NGB curve where the bonds are less expensive. After the tap in the 10Y NGB, Norges Bank will have funded more than 64% of this year's funding requirement and supply is set to drop in H2. Lower supply and a dovish Norges Bank are supportive factors for Norwegian govies and we see value in buying the bond at the auction against either swaps or Germany (alternatively EUR semi-cores).

In the US, the recent signs of recovery in the housing market suggest that the Fed is likely to become more comfortable about the economic outlook. With the US money market trading well below the FOMC rate projections this leaves room for higher rates – in particular because US inflation is now on an upward trend. In that light, today's US new home sales data will be particularly relevant.

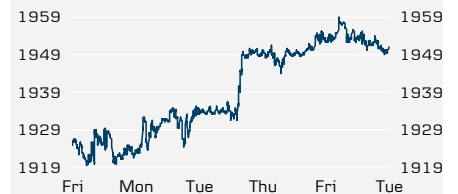
## FX markets

In the FX market attention turns to the ifo. We expect the expectation component to decline which may marginally weigh on the EUR. But probably not enough to drive EUR/USD away from the 1.36 area. The same applies for the US data releases. In EM space, attention is on the political development in Poland, the unstable situation and the signs of new rising tensions between Ukraine and Russia. For more on the political tensions in Poland, see this [Research piece](#).

In Scandinavia, we have seen a stabilisation in both EUR/NOK and EUR/SEK after the moves last week in the aftermath of the Norges Bank meeting. Given the higher oil price and a very soft pricing in the Norwegian rates market, we see should expect EUR/NOK to edge lower from here, especially as we do not expect Norges Bank to cut rates. We are still negative on the SEK ahead of the Riksbank meeting next week.

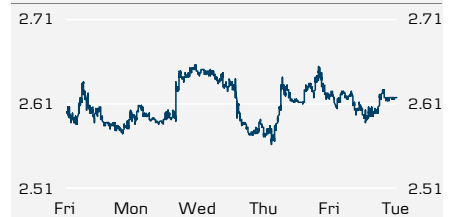
Finally see the [Market Guide](#).

### US S&P500 future



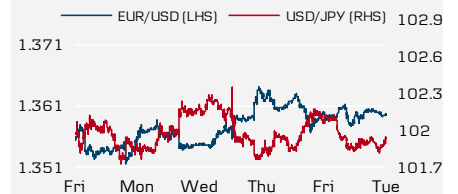
Source: Danske Bank Markets

### 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 24, 2014			Period	Danske Bank	Consensus	Previous
8:00	CHF	Trade balance	CHF bn	May		245
10:00	DEM	IFO - business climate	Index	Jun	<b>110.3</b>	110.1
10:00	DEM	IFO - current assessment	Index	Jun	<b>115.8</b>	115.4
10:00	DEM	IFO - expectations	Index	Jun	<b>105.5</b>	106.0
10:30	GBP	BBA loans for house purchase	Number	May		42173
11:15	EUR	ECB announces allotment in 7-day (MRD)				
14:05	USD	Fed's Plosser (voter, hawkish) speaks				
15:00	USD	S&P Case Shiller House prices	Index	Apr		166.8
15:50	EUR	ECB's Coeure speaks in Frankfurt				
16:00	USD	New Home Sales	1000 (m/m)	May	<b>439 (1.40%)</b>	440 (2.00%)
16:00	USD	Consumer confidence	Index	Jun		83.5
						83.0

Source: Bloomberg and Danske Bank Markets

Today's market data: 24 June 2014

STOCKS



	Close		+/-
DJSTOXX50	3062	↓	-0.5%
OMXC20	743	↓	-0.1%
OMXS30	1396	↑	0.7%
OSE BX	631	↑	0.3%
<b>Close +/-</b>			
DOW JONES	16937	↓	-0.1%
NASDAQ	4369	↑	0.0%
S&P500	1963	↓	0.0%
NIKKEI (07:30)	15396	↓	-0.5%

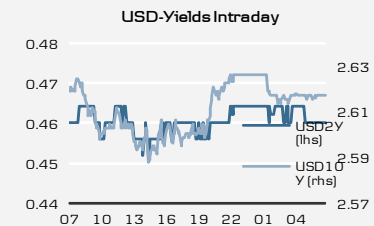
FX & COMMODITIES



	17:00	07:30		+/-
<b>EUR</b>				
USD	135.93	135.96	↑	0.03
JPY	138.51	138.59	↑	0.08
GBP	79.91	79.87	↓	-0.05
NOK	831.68	830.79	↓	-0.89
SEK	911.22	911.00	↓	-0.22
DKK	745.49	745.48	↓	-0.01
PLN	415.92	416.24	↑	0.32
<b>USD</b>				
JPY	101.90	101.93	↑	0.03
GBP	170.10	170.24	↑	0.14
CHF	89.48	89.50	↑	0.02

	07:30		+/-
<b>Gold, \$</b>			
07:30	1314.97		
1 day	↓	-2.39	↓
1 month	↑	22.41	↑
Year-t-date	↑	109.32	↑
<b>Oil, Brent, \$</b>			
07:30	113.82		
1 day	↓	-0.30	↓
1 month	↑	3.28	↑
Year-t-date	↑	3.02	↑
<b>CRB</b>			
07:30	312.02		
1 day	↓	-0.91	↑
1 month	↑	3.76	↓
Year-t-date	↑	31.85	↑
<b>CRB, Raw Industrials</b>			
07:30	533.47		
1 day	↓	-1.47	↑
1 month	↓	-8.63	↓
Year-t-date	↑	0.73	↑

YIELDS & INTEREST RATES

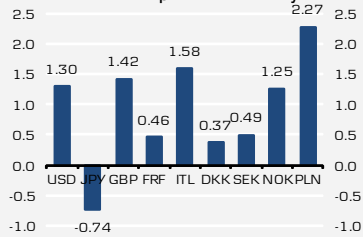


	Policy Rate	3M	Spread, bp
USD	0.25	0.23	-2
EUR	0.15	0.21	6
GBP	0.50	0.55	5
DKK	0.20	0.37	17
SEK	0.75	0.83	8
NOK	1.50	1.76	26
PLN	2.50	2.58	8

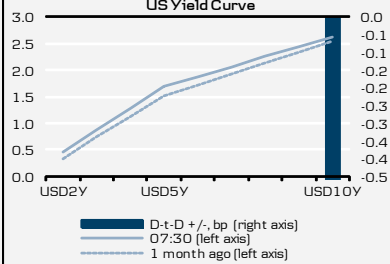
	17:00	07:30		+/-, bp
<b>USD 10Y</b>	2.60	2.62	↑	2
<b>USD 30Y</b>	3.42	3.45	↑	3
<b>JPY 10Y</b>	0.58	0.58	↑	0
<b>07:30(-1)* 17:00 +/-, bp</b>				
DEM 10Y	1.35	1.32	↓	-3
DKK 10Y	1.70	1.68	↓	-2
SEK 10Y	1.82	1.80	↓	-2
NOK 10Y	2.58	2.58	↑	0
PLN 10Y	3.64	3.60	↓	-4

\* As of closing previous trading day

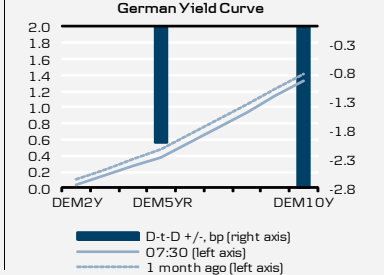
10Y Yield Spread to Germany



US Yield Curve



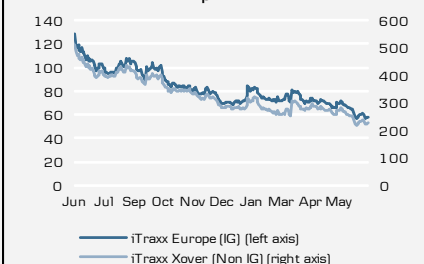
German Yield Curve



Credit spread, iTraxx s. 11\*

	07:30	1 day	1 month
Europe (IG)	58	↓ 0	↓ -11
HiVol	72	↑ 0	↓ -12
Xover (N-IG)	228	↓ -1	↓ -41
<b>Finan. Sr.</b>			
Finan. Sr.	60	↓ 0	↓ -18
Finan. Sub.	91	↓ 0	↓ -33
<b>Non-finan.</b>			

Creditspreads



Swap Spread, bp\*\*

	17:00	07:30		+/-
<b>USD 10Y</b>				
JPY 10Y	9	9	↑	0
<b>07:30(-1)* 17:00 +/-</b>				
EUR 10Y	0	15	↑	15
DKK 10Y	17	18	↑	1
SEK 10Y	14	14	↑	0
NOK 10Y	36	34	↓	-2

\* As of closing previous trading day

\*\* Ask price

\* Ask price