

# Danske Daily

## Market Movers

- In the **US**, we don't have any major economic releases.
- In the **euro area**, the GDP components for Q1 16 are due to be released today. Overall, GDP growth was solid at 0.5% q/q and we expect the components to reveal strong investment growth and still solid private consumption. We have already seen investment picking up speed in Germany while consumption remained solid and we expect similar numbers for the euro area. Tuesday will give us data on German industrial production. We expect positive numbers on industrial production for April led by the strong factory orders in March.
- In the **UK**, Prime Minister David Cameron and UKIP leader Nigel Farage are due to answer questions from the audience on an ITV EU referendum programme today.

## Selected Market News

**Yesterday, Fed chair Janet Yellen came out as more dovish than in her previous speeches**, as she did not repeat that a hike *'in the coming months'* could be appropriate, which supports our view (and market expectations) that a summer hike is off the table. Moreover, she highlighted that there are significant domestic and foreign economic uncertainties that warrant caution. According to current market pricing, the probability of a hike in July is below 30% and in September it is around 50% (before the jobs report the figures were 70% and 85%, respectively). **The markets generally welcomed the dovish tone in Yellen's speech.** Last night, the US and most Latam stock markets finished higher and this morning Asian stock markets are also seeing solid increases.

**In the UK, Brexit polls continue to be relatively volatile.** After a series of polls from different companies suggesting some movement towards the 'leave' campaign (including a four-point leave lead in our previous poll, conducted last week) our latest poll for The Times (conducted on Sunday and Monday) shows the 'remain' camp back ahead by a single point. The volatility in the polls results may continue in the last two and half weeks, as in previous referendums public opinion has often changed a lot in the final weeks.

### Selected readings from Danske Bank

- *US: Yellen did not repeat that a hike 'in coming months' could be appropriate*
- *Russia - CBR rate decision preview: unchanged in pre-cut mood*

Follow us on [Twitter](#):



[@Danske\\_Research](#)

**Chief Analyst**  
Jakob Ekholdt Christensen  
+45 45128530  
[jakc@danskebank.dk](mailto:jakc@danskebank.dk)

## Scandi Markets

In **Norway**, data has been all over the place recently, so the results of Norges Bank's Regional network survey will be even more important than usual. The last round in February saw a slight rise in the aggregated output index, but it still pointed to almost zero growth in the economy. Since then it appears that both manufacturing and construction activity have picked up, while weak retail sales suggest that the outlook for the retail trade may have deteriorated. As usual, the greatest uncertainty is associated with the country's relatively large service sector, for which we get limited interim data. We therefore like to use registered unemployment as an extra cross-check and it suggests that we may be in for a pleasant surprise. We would not stake everything on the latest jobless data being 100% reliable but still expect a rebound in the aggregated output index to 0.4, which would indicate that the growth outlook is more or less as predicted by Norges Bank in the March monetary policy report. April manufacturing production figures will get less attention. Leading indicators such as Business confidence and the PMI, as well as the Easter effect, lead us to expect a correction in April after two strong months, with manufacturing production falling 0.6% m/m.

## Fixed Income Markets

It will be a busy day in the core primary market with a EUR4-6bn launch of the new Dutch 5Y (0% Jan-22) being the most interesting. The preliminary initial spread guidance vis-à-vis the DBR Jan-22 is +11 to +14bp. The spread between the Jul-21 Nether and the Jul-21 DBR is 10bp, so guidance seems fair. Austria is tapping 1.1bn in the Oct-23 and the Oct-26 while Germany is tapping EUR1bn in the 26 linker. With a BEI level of 77bp the level seems attractive and also versus inflation swaps where the cash bonds is trading at a 15bp discount to swaps.

The QE details released yesterday revealed that the monthly average maturity in PSPP purchases in Germany hit a new high in of 9.2 years versus an average of 7.8 years. This figure is likely to increase further in June as 52% of the German government bond market is currently not eligible for QE due to the curve out to the 5Y having dropped below the -40bp deposit rate. Furthermore, the PSPP share hit a new high amounting to 94% of total purchases in May versus an average of 85% since the QE start. Purchases in Ireland and Portugal are still running below what the capital key would have suggested. Comparing the April/May average with the Q1 figures, purchases are up by 37% in Ireland and 18% in Portugal. This compares to an overall increase in PSPP (ex supras) of 51% after the QE step-up that started in April, see our research on the [QE details](#).

## FX Markets

Fed chairman Janet Yellen was mixed in her speech yesterday, noting the very weak May labour market report, which, in our view, rules out a rate hike in June and July but still leaves the door open for a rate hike in September. The DXY has stabilised over the past 24 hours after the significant wash out following the labour market report on Friday, weakening against the British pound (GBP), stable against the euro (EUR) and strengthening against the Japanese yen (JPY). GBP/USD has rallied strongly without any news out. Expect GBP crosses to trade in a highly volatile pattern into the UK's EU referendum on 23 June.

In the Scandies, EUR/SEK traded lower on Monday supported by the improvements in risk appetite. We only have second-tier Swedish data this week, which is unlikely to have a significant market impact. Expect EUR/SEK to trade in line with risk appetite and equities where we expect that we will eventually see a move lower. The volatility in the

Scandi currencies is likely to be in the Norwegian krona (NOK) today where we will have the all-important Regional Network survey. We have a slightly more positive view on the Regional Network survey than consensus, which could trigger a move towards the lower half of the 9.15-9.40 range in EUR/NOK.

## Key figures and events

Tuesday, June 7, 2016

|       |     |  |             | Period      | Danske Bank | Consensus | Previous    |
|-------|-----|--|-------------|-------------|-------------|-----------|-------------|
| -     | GBP | David Cameron and Nigel Farage answer questions on ITV EU referendum program |             |             |             |           |             |
| -     | CNY | Foreign exchange reserves  | bn. USD     | May         |             | 3200      | 3219.7      |
| 1:50  | JPY | Official reserves assets   | USD bn      | May         |             |           | 1262.5      |
| 6:30  | AUD | Reserve Bank of Australia rate decision                                      | %           |             | 1.75%       | 1.75%     | 1.75%       |
| 7:00  | JPY | Leading economic index, preliminary  | Index       | Apr         |             | 100.7     | 99.3        |
| 8:00  | DEM | Industrial production  | m/m y/y     | Apr         | 1.6% ...    | 0.7% 0.9% | -1.3% 0.3%  |
| 9:00  | DKK | Industrial production  | m/m         | Apr         |             |           | -2.2%       |
| 9:30  | GBP | Halifax house prices   | m/m 3Ms/YoY | May         |             | 0.4% 9.0% | -0.8% 9.2%  |
| 10:00 | NOK | Manufacturing production   | m/m y/y     | Apr         | -0.6% ...   |           | 0.9% -7.1%  |
| 10:00 | NOK | Industrial production  | m/m y/y     | Apr         |             |           | -1.3% -4.0% |
| 10:00 | NOK | Norges Bank Regional Network Report: Output next 6M                          |             | May         | 0.40        |           | 0.11        |
| 11:00 | EUR | GDP, final   | q/q y/y     | 1st quarter | 0.5% ...    | 0.5% 1.5% | 0.5% 1.5%   |
| 11:00 | EUR | Gross fixed investments  | q/q         | 1st quarter | 0.7%        | 1.0%      | 1.3%        |
| 11:00 | EUR | Government consumption   | q/q         | 1st quarter | 0.6%        | 0.4%      | 0.6%        |
| 11:00 | EUR | Private consumption  | q/q         | 1st quarter | 0.3%        | 0.5%      | 0.2%        |
| 14:30 | USD | Unit labour cost, final  | q/q         | 1st quarter |             | 4.0%      | 4.1%        |
| 21:00 | USD | Consumer credit  | USD bn      | Apr         |             | 18.0      | 29.7        |

Source: Bloomberg, Danske Bank Markets

## Disclosure

This research report has been prepared by Danske Bank Markets, a division of Danske Bank A/S ('Danske Bank').

### Analyst certification

Each research analyst responsible for the content of this research report certifies that the views expressed in the research report accurately reflect the research analyst's personal view about the financial instruments and issuers covered by the research report. Each responsible research analyst further certifies that no part of the compensation of the research analyst was, is or will be, directly or indirectly, related to the specific recommendations expressed in the research report.

### Regulation

Danske Bank is authorised and subject to regulation by the Danish Financial Supervisory Authority and is subject to the rules and regulation of the relevant regulators in all other jurisdictions where it conducts business. Danske Bank is subject to limited regulation by the Financial Conduct Authority and the Prudential Regulation Authority (UK). Details on the extent of the regulation by the Financial Conduct Authority and the Prudential Regulation Authority are available from Danske Bank on request.

The research reports of Danske Bank are prepared in accordance with the Danish Society of Financial Analysts' rules of ethics and the recommendations of the Danish Securities Dealers Association.

### Conflicts of interest

Danske Bank has established procedures to prevent conflicts of interest and to ensure the provision of high-quality research based on research objectivity and independence. These procedures are documented in Danske Bank's research policies. Employees within Danske Bank's Research Departments have been instructed that any request that might impair the objectivity and independence of research shall be referred to Research Management and the Compliance Department. Danske Bank's Research Departments are organised independently from and do not report to other business areas within Danske Bank.

Research analysts are remunerated in part based on the overall profitability of Danske Bank, which includes investment banking revenues, but do not receive bonuses or other remuneration linked to specific corporate finance or debt capital transactions.

### Financial models and/or methodology used in this research report

Calculations and presentations in this research report are based on standard econometric tools and methodology as well as publicly available statistics for each individual security, issuer and/or country. Documentation can be obtained from the authors upon request.

### Risk warning

Major risks connected with recommendations or opinions in this research report, including as sensitivity analysis of relevant assumptions, are stated throughout the text.

### Expected updates

Danske Daily is updated on a daily basis.

### First date of publication

Please see the front page of this research report for the first date of publication. Price-related data is calculated using the closing price from the day before publication.

## General disclaimer

This research has been prepared by Danske Bank Markets (a division of Danske Bank A/S). It is provided for informational purposes only. It does not constitute or form part of, and shall under no circumstances be considered as, an offer to sell or a solicitation of an offer to purchase or sell any relevant financial instruments (i.e. financial instruments mentioned herein or other financial instruments of any issuer mentioned herein and/or options, warrants, rights or other interests with respect to any such financial instruments) ('Relevant Financial Instruments').

The research report has been prepared independently and solely on the basis of publicly available information that Danske Bank considers to be reliable. While reasonable care has been taken to ensure that its contents are not untrue or misleading, no representation is made as to its accuracy or completeness and Danske Bank, its affiliates and subsidiaries accept no liability whatsoever for any direct or consequential loss, including without limitation any loss of profits, arising from reliance on this research report.

The opinions expressed herein are the opinions of the research analysts responsible for the research report and reflect their judgement as of the date hereof. These opinions are subject to change, and Danske Bank does not undertake to notify any recipient of this research report of any such change nor of any other changes related to the information provided in this research report.

This research report is not intended for, and may not be redistributed to, retail customers in the United Kingdom or the United States.

This research report is protected by copyright and is intended solely for the designated addressee. It may not be reproduced or distributed, in whole or in part, by any recipient for any purpose without Danske Bank's prior written consent.

## Disclaimer related to distribution in the United States

This research report was created by Danske Bank A/S and is distributed in the United States by Danske Markets Inc., a U.S. registered broker-dealer and subsidiary of Danske Bank A/S, pursuant to SEC Rule 15a-6 and related interpretations issued by the U.S. Securities and Exchange Commission. The research report is intended for distribution in the United States solely to "U.S. institutional investors" as defined in SEC Rule 15a-6. Danske Markets Inc. accepts responsibility for this research report in connection with distribution in the United States solely to "U.S. institutional investors".

Danske Bank is not subject to U.S. rules with regard to the preparation of research reports and the independence of research analysts. In addition, the research analysts of Danske Bank who have prepared this research report are not registered or qualified as research analysts with the NYSE or FINRA, but satisfy the applicable requirements of a non-U.S. jurisdiction.

Any U.S. investor recipient of this research report who wishes to purchase or sell any Relevant Financial Instrument may do so only by contacting Danske Markets Inc. directly and should be aware that investing in non-U.S. financial instruments may entail certain risks. Financial instruments of non-U.S. issuers may not be registered with the U.S. Securities and Exchange Commission and may not be subject to the reporting and auditing standards of the U.S. Securities and Exchange Commission.