

Danske Daily

Market Movers

- The main focus in financial markets today will be on any last minute hints on how the UK referendum on EU membership will turn out tomorrow.
- The oil market will likely take note of the change in US crude oil inventories last week published today. The American Petroleum Institute yesterday reported a large inventory draw last week, so the market will be looking for confirmation of this development in today's release.
- Federal Reserve chairwoman Janet Yellen is set to speak again today but will likely repeat the message from yesterday.
- A bunch of Swedish key data figures are due for release this morning, which will likely attract the attention of the Swedish market.
- We will publish our quarterly Nordic Outlook with updated macro forecasts for the Nordic countries at 9:00 CEST.

Selected Market News

The implied probability from bookmakers and prediction markets that UK will vote to leave the EU at tomorrow's referendum was steady around 24-25% yesterday despite opinion polls still pointing towards a close race that will come down to the wire. The final TV debate yesterday does not look to have affected the expected outcome on Thursday. Overall, prices on riskier assets managed to hold on the gains from the relief rally on Monday.

Federal Reserve chairwoman Janet Yellen's semi-annual testimony yesterday was more or less a repeat of the cautious stance on monetary policy from last week's meeting in the Federal Reserve Open Market Committee and did therefore not impact prices in financial markets to any significant extent.

Selected readings from Danske Bank

- *FX Strategy: G10 MEVA signals update*
- *Research China: Fragile cyclical recovery*
- *CONFERENCE CALL (NOTE CHANGE OF TIME): Implications of the UK's EU referendum 24 June, 07.30AM/CEST*

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Scandi Markets

A lot on the Swedish agenda this morning. Question is whether the general weakening seen in most sectors in the NIER's confidence survey in recent months will persist. Another worry for the Riksbank is the declining retail price expectations that go hand in hand with falling import prices. There is also a tendency for falling hiring expectations that - if continued - will eventually hit the currently improving labour market. That said, the May LFS survey should reveal a slight upward correction in the unemployment rate after the strong outcome in April. Finally, ESV (budget management authority) is set to release May figures. We will look at tax revenue composition to get a grip on the sustainability in the current strong improvement in Swedish government finances. There could be additional upward revisions to the budget surplus and hence more cuts in supply later this year.

NIER is due to release a new forecast at 09:15 CEST this morning, just after the confidence survey.

We will publish our quarterly Nordic Outlook with updated macro forecasts for the Nordic countries at 9:00 CEST.

Fixed Income Markets

If anything, Yellen came out on the dovish side in her testimony yesterday but US Treasury yields continued to edge higher adding to the Treasury sell-off on Monday. Poor demand at the 5Y treasury auction added to the move but it also reflects that UK bookmaker odds continue to indicate a 75% probability of 'remain'. Today, the market will continue to focus on the UK EU referendum, but if we do not get any decisive last minute polls we are probably entering a kind of 'wait-and-see' mode until we get the result Thursday night. Germany is tapping in the 30Y benchmark (DBR Aug '46). This bond has performed significantly against swaps recently and thus demand could be decent even though the bond is expensive from an outright perspective and relative to swaps. Last week the Swedish debt office reduced the auction size to SEK3.5bn from SEK4.0bn after the updated and lower borrowing requirement for 2016 and is thus only selling SEK3.5bn in the SGB Mar '19 bond at the auction today. Also in Sweden the ESV (budget management authority) releases its May budget figures. We would not be surprised to see yet another improvement in Swedish government finances. Hence, there could potentially be additional upward revisions to the budget surplus and hence more cuts in government bond supply later this year. We continue to expect SGBs to perform against swaps and look for healthy demand today.

FX Markets

Following the decline in the implied probability that the UK votes to leave the EU tomorrow in betting markets and prediction markets to around 25% from the peak of 45% last week, FX markets have more or less reacted in the manner we would expect. We have seen support to the GBP and currencies that normally fare well in an environment characterised by positive risk sentiment, e.g. SEK, NOK, AUD and NZD and the USD has weakened. However, in our view this response is not necessarily justified by fundamental factors. In our most recent update of the signals from our G10 MEVA model, we highlight that fundamental factors signal a fair value for EUR/USD of 1.27, 1.65 for GBP/USD, 0.70 for AUD/USD and 0.64 for NZD/USD indicating a correction potential of around 12% for the former two pairs and minus 7 and 10% for the latter two. Current spot levels for EUR/SEK and EUR/NOK are close to the estimates from MEVA indicating that these pairs are trading in line with what fundamental factors suggest. See *FX Strategy: G10 MEVA signals update*

Key figures and events

Wednesday, June 22, 2016

				Period	Danske Bank	Consensus	Previous
9:00	SEK	Consumer confidence	Index	Jun	95.0	95.6	96.0
9:00	SEK	Economic Tendency Survey	Index	Jun			102.2
9:00	SEK	Manufacturing confidence	Index	Jun	104.5	104.8	105.3
9:00	DKK	Consumer confidence	Net. bal.	Jun	4.5	2.9	3.2
9:00	DKK	House prices	m/m y/y	1st quarter			
9:00	DKK	Retail sales	m/m y/y	May		0.2% ...	1.0% 1.1%
9:15	SEK	Swedish Economy Report					
9:30	SEK	Unemployment (n.s.a. s.a.)	%	May	7.3% 7.0%	7.3%	7.3% 6.7%
10:00	NOK	Unemployment (LFS)	%	Apr	4.6%	4.7%	4.7%
13:00	USD	MBA Mortgage Applications	%				-2.4%
14:30	CAD	Retail sales	m/m	Apr			-1.0%
15:00	USD	FHFA house price index	m/m	Apr		0.6%	0.7%
16:00	EUR	Consumer confidence, preliminary	Net bal.	Jun	-6.5	-7.0	-7.0
16:00	USD	Fed chair Yellen testifies to the Senate (day 2)					
16:00	USD	Existing home sales	m (m/m)	May		5.5	5.45 1.7%
16:30	USD	DOE U.S. crude oil inventories	K				-933
20:30	USD	Fed's Powell (voter, neutral) speaks					

Source: Bloomberg, Danske Bank Markets

Disclosure

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Expected updates

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First date of publication

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