

Danske Daily

Market movers today

- German and Spanish inflation releases – inflation is expected to rise as base effects are fading. In addition, we have a couple of ECB speeches but we do not expect new info to the markets.
- In the US, we have a number of Fed speeches including one from Yellen. Most of the speakers are fairly neutral, so we do not expect much new information from the speeches.

Selected market news

Yesterday, OPEC agreed to a preliminary deal that will cut production for the first time in eight years. Oil prices gained more than 6% on the back of the agreement, which will reduce production to a range of 32.5-33m barrels per day from 33.2mb/d currently. Many of the details still need to be clarified and the targets countries will get has yet to be agreed on.

The rally in the oil price was supportive for the US stock market, while US Treasury yields rose. The rally in the stock market was driven by energy producers and S&P ended up at 0.5%.

The Asian equity markets have followed the positive trend from the US this morning as the markets have risen across the region on the back of the OPEC deal and higher oil prices. Oil-related currencies such as the Norwegian krone and the Malaysian ringgit have strengthened, while the yen has weakened modestly against the other major currencies.

Retail sales in Japan for August published this morning fell for the first time in three months and show the challenges for the Japanese economy, even though sales were affected by bad weather and fewer weekends. On Friday, a string of data on the Japanese economy is due to be released such as household spending, employment, inflation and industrial production, which will give a fuller picture on the recent performance of the Japanese economy.

Selected readings from Danske Bank

- *Nordic Outlook - September 2016*
- *Research: China outlook - recovery set to lose steam in 2017*

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- *Nordic Outlook*
- *Yield Forecast Update*
- *FX Forecast Update*
- *Weekly Focus*

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Scandi markets

No major events in the Scandi markets today.

Fixed income markets

Today's September inflation data out of Germany and Spain should indicate that we are in for a decent increase in HICP inflation in September to 0.5% y/y up from 0.2% y/y in August. We expect further increases in inflation due to the base effect in the remainder of this year, but we do not expect it to cause any 'pause' in the ECB's easing bias. The OPEC 'deal' (see below) on reducing oil production and thereby extended oil price increases could also be in focus today.

Turn effects due to the quarter end are affecting the market and pushing short repos on, for instance, the CTD on the Bund future to as low as -200bp over turn. USD scarcity for EUR-based banks/investors are another victim of the turn effect as reflected by the FX forward. The squeeze in the German cash market combined with this week's risk-off move has caused a sharp widening in ASWs. The move to the YTD high in the Schatz ASW could also be related to the market again pricing in some likelihood of the ECB buying below the depo rate. We expect some tightening again as the turn effects are set to abate as we enter Q4, see move in Schatz, Bobl, Bund ASWs.

Italy will be the lone supplier of EGBs today with EUR3.5-4bn in a new 5Y (Nov-21) and EUR2.0-2.5bn in the Dec-26. BTPs has been trading weak on a combination of fear regarding banking spill over and the persistent focus on the upcoming referendum. The 10Y spread to Spain is still hovering around YTD highs.

FX markets

OPEC is said to have agreed on an output ceiling of around 32.5-33mb/d, which would involve a cut in production from the level of 33.2mb/d in August. At the time of writing, no official statement has been made by OPEC. Apparently, details will be worked out ahead of the 30 November official OPEC meeting. The news pushed the price on Brent crude above USD48/bbl, which consequently sent EUR/NOK towards 9.00. However, this move may quickly reverse as the credibility and longer-term impact of the OPEC deal remains uncertain.

EUR/DKK spot and FX forwards continue to trade at relatively high levels, holding on to the gains from last week. With the focus in markets starting to turn back to the uncertain political situation in Europe, with the Italian constitutional referendum due on 4 December and negotiations on the UK's withdrawal from its EU membership likely to start at the beginning of next year, the market may start to look to DKK as a safe haven as it has done before when political uncertainty in Europe has been on the rise, which in turn would send EUR/DKK lower again.

Key figures and events

Thursday, September 29, 2016

				Period	Danske Bank	Consensus	Previous
1:15	USD	Fed's George (voter, hawkish) speaks					
1:50	JPY	Large retailers' sales	y/y	Aug		-2.9%	0.6%
1:50	JPY	Retail trade	m/m y/y	Aug		-0.8% -1.7%	1.5% -0.2%
9:00	DKK	Confidence indicator, industry, s.a.	Net balance	Aug			-7
9:00	ESP	HICP, preliminary	m/m y/y	Sep	... 0.2%	0.9% 0.2%	0.0% -0.3%
9:00	DKK	Gross unemployment s.a.	K (%)	Aug		4.2%	112.4 (4.2%)
9:55	DEM	Unemployment	%	Sep	6.1%	6.1%	6.1%
10:30	GBP	Mortgage approvals	1000	Aug		60.2	60.9
10:30	GBP	Broad money M4	m/m y/y	Aug			1.2% 3.9%
11:00	USD	Fed's Harker (non-voter, hawkish) speaks					
11:00	EUR	Business climate indicator	Net bal.	Sep		0.1	0.0
11:00	EUR	Industrial confidence	Net bal.	Sep		-4.1	-4.4
11:00	EUR	Economic confidence	Index	Sep		103.5	103.5
11:00	EUR	Consumer confidence, final	Net bal.	Sep		-8.2	-8.2
11:00	EUR	Service confidence	Net bal.	Sep		10.0	10.0
11:00	EUR	ECB's Praet Speaks in Germany					
14:00	DEM	HICP, preliminary	m/m y/y	Sep	... 0.5%	0.0% 0.5%	-0.1% 0.3%
14:30	USD	GDP, third release	q/q ann.	2nd quarter		1.3%	1.1%
14:30	USD	GDP price deflator, third release	q/q	2nd quarter		2.3%	2.3%
14:30	USD	Initial jobless claims	1000				252
14:30	USD	Advance goods trade balance	USD bn	Aug		-62.7	-58.8
14:50	USD	Fed's Lockhart (non-voter, neutral) speaks					
16:00	EUR	ECB's Constancio speaks in Frankfurt					
16:00	USD	Fed's Powell (voter, neutral) speaks					
16:00	USD	Pending home sales	m/m y/y	Aug		-0.1% ...	1.3% -2.2%
20:00	USD	Fed's Kashkari (non-voter, dovish) speaks					
22:00	USD	Fed Chair Yellen speaks					

Source: Bloomberg, Danske Bank Markets

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