

Danske Daily

OPEC+ looking to stick to current output cuts

Market movers today

- Today focus will be on the Bank of England (BoE) rate decision at 13:00. We expect the BoE to remain on hold amid the ongoing political chaos and an approaching snap election. However, we will look for further signs that the BoE is moving closer to easing monetary policy, as the economy is slowing and some MPC members have sounded more dovish recently.
- In the euro area, we get the European Commission's autumn economic forecast. The report includes the latest fiscal projections, which will be scrutinized by the market not only with respect to Italy, but also for signs that a European-wide shift in fiscal easing is underway, as the ECB has been calling for recently. The autumn economic forecasts will also be discussed at today's meeting of EU finance ministers, who will also debate Isabel Schnabel's bid to take up the vacant 'German' seat on the ECB board.
- In Germany, we get the September industrial production figures. Yesterday's factory orders beat expectations and increased by 1.3% m/m with rays of light also in the battered car sector. Still, we think today's figures will confirm that the German industrial sector remained in recession for the fifth quarter in a row.
- In Norway, we expect industrial production figures for September to show a moderate increase (see next page).

Selected market news

US and China are still trying to work out the logistics of the signing of the so-called phase one deal trade deal. It concerns both the time and the place of a ceremony to conclude the agreement. The latest rumours suggest that it may not take place until December and that the parties are looking at possible sites in Asia or Europe.

The seemingly innocent news was enough to put the brakes on the past couple of days' positive sentiment in markets. Bond yields dropped back, commodities turned lower and JPY higher.

The oil market was negatively affected not only by the trade news yesterday but also by news that OPEC+ is not going to consider increasing its current output cuts when it meets next month. Rather, it wants to increase compliance to current output cuts. The news added to the decline in oil prices. In addition, the weekly US oil inventory report showed an increase of 8mb last week. The price on Brent crude dropped below USD62/bbl.

Both New York Fed's John Williams and Chicago Fed's Charles Evans yesterday hinted that they think the current monetary policy stance following three rate cuts is appropriate for the current outlook for the economy. However, Williams also stressed concerns about low inflation expectations keeping down actual inflation.

Selected readings from Danske Bank

- *Riksbank Comment - Minutes show more uncertainty than press release*
- *FOMC Review - Fed is playing the waiting game*
- *Brexit Monitor - Election is an EU referendum in disguise - difficult to predict the outcome from polls*
- *FOMC preview - Divided Fed is likely to cut again without pre-commitment*
- *Harr's View - The reversal interest rate and cross asset rotation*
- *China Weekly Letter - China climbs further in World Bank 'Doing Business' index*

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Scandi markets

In Norway, there has been a clear slowdown in manufacturing production over the past three months after three years of strong growth. This is a clear indication that the downturn in the global industrial cycle is now affecting Norwegian manufacturing. That said, we expect oil-related industries to continue to gain from high oil investments. We therefore anticipate a moderate increase in industrial production of 0.3% m/m.

Fixed income markets

After the significant sell-off Tuesday, global bond markets staged a recovery yesterday and 10Y US treasury yields dropped 4bp and reversed half the steepening from the day before. The support to treasuries came after a very strong inaugural auction of the new 10Y US note and as Reuters reported that the signing of the 'phase 1' deal might be delayed until December.

Today, Spain and France will be tapping the markets. Spain will tap mainly in the mid-segments with taps in 4y, 5y, 10y and 15y bonds. France, on the other hand, has opted for the long and ultra-long end with taps in 2019, 2034, 2050 and 2066 bonds. Especially the demand for France will be scrutinized after the recent move higher in yields.

FX markets

Both USD/JPY and EUR/USD came under pressure yesterday following speculation that a trade deal may be delayed until December. Today focus in majors will stick to trade news, but also keep an eye out for the Bank of England: most certainly rates will remain unchanged, but this is the final chance to hear how BoE sees the economy ahead of the 12 December general election. We look for hints that easing ahead may be deemed due to the prolonged Brexit process hampering consumer and investment sentiment. EUR/GBP moves have been reasonably muted of late and after BoE today, the cross will likely be in the hands of polls over the next month.

The Scandies generally strengthened yesterday and notably the recent NOK rally suffered a modest setback with unconfirmed stories that OPEC+ are not contemplating expanding output cuts at the beginning of December. Such stories are likely to mark a source of volatility for the NOK in the weeks ahead. This morning's manufacturing production data – albeit volatile on a monthly basis – should confirm that also in Q3 petroleum related manufacturing supported growth. If proven right, this should limit market concerns about a slowdown in Norwegian growth and hence underpin a stronger NOK.

Key figures and events

Thursday, November 7, 2019			Period	Danske Bank	Consensus	Previous
-	CNY	Foreign exchange reserves	USD bn		3099.0	3092.4
8:00	DKK	Industrial production	m/m			-1.1%
8:00	NOK	Manufacturing production	m/m y/y			-1.1% 1.7%
8:00	NOK	Industrial production	m/m y/y	0.3% ...		-2.1% -9.2%
8:00	DEM	Industrial production	m/m y/y		-0.3% -4.4%	0.3% -4.0%
9:00	CHF	SNB balance sheet, intervention	CHF bn			776.9
9:30	SEK	Average house prices	SEK m			3.018
9:30	SEK	Budget balance	SEK bn			-3.6
10:00	EUR	ECB Publishes Economic Bulletin				
13:00	GBP	BoE minutes				
13:00	GBP	BoE government bond purchases (APF)	GBP bn	435	435	435
13:00	GBP	BoE corporate bond purchases (CBPP)	GBP bn	10	10	10
13:00	GBP	BoE Bank rate	%	0.75%	0.75%	0.75%
13:30	GBP	BoE Inflation Report				
13:30	GBP	Carney press conference				
14:30	USD	Initial jobless claims	1000			218
19:05	USD	Fed's Kaplan (non-voter, neutral) speaks				
21:00	USD	Consumer credit	USD bn		15.6	17.9

Source: Bloomberg, Danske Bank

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