

Danske Daily

Slow US recovery

Market movers today

Holiday Edition

- In **Norway**, today brings inflation numbers for June. Core inflation surprised to the upside in April and May, with the annual rate climbing to 3.0% on the back of higher import prices. The pressure on imported prices from a weaker currency is reinforced by the closed borders. Hence, we expect core inflation to edge up to 3.1%.
- In **Sweden**, Riksbank minutes is the key release. We focus on (1) discussion about the low level of inflation and inflation expectations, (2) considerations as to the recent expansion of the QE programme and (3) thoughts about the repo rate path, which is unbiased at 0% throughout the forecast horizon, whereas the rhetoric suggests it has an easing bias.
- We expect **Danish CPI inflation** to rebound to 0.5%, following two months with zero. The primary driver behind the increase is energy prices, but also the April tax increase on tobacco should have started to check through cash registers by now. The summer sale on clothing is likely to be bigger this year, which will weigh on inflation as there is still a large backlog on clothing sales and retailers are likely to cut prices more than usual to increase turnover.
- Today, Fitch has **Italy** up for review. The question is whether Fitch decides to be tough and downgrade Italy. We expect that it will remain on hold given that the ECB and EU are showing strong support for Italy through QE and the expected recovery fund.

Selected market news

Markets continue to appear somewhat caught between the recent easing of global monetary and fiscal policy and renewed uncertainty about the outlook due to **US** coronavirus numbers and a somewhat slow decline in US unemployment claims, among others. In equities, it continues to be mainly the technology sector that is leading advances, whereas more classical cyclical sectors such as autos, banks and industrials have gone sideways in recent weeks. Coronavirus seems to be under control in the EU but in the US there is no sign of a peak yet. Recent virus problems in the US present a material risk to the US recovery in the coming months, whereas the euro area service sector recovery is set to continue barring any second virus waves during the European holiday season. See *Service sector recovery after the coronavirus shock - euro area outshines US for once, 9 July*.

At next week's **ECB policy** meeting we expect a repetition of recent comments from various governing council members, thereby striking a cautiously optimistic tone compared to the June projections. For spot FX, the direction and stance of the ECB and euro area fiscal politics are, in our view, quite well priced and communicated (though to a lesser extent when it comes to the outcome for Brexit). In turn, it will be the extent and speed of the global recovery that sets the tone in EUR/USD. We remain constructive and expect broad USD to decline over the coming months and our 3M forecast is 1.15. See more in *ECB research - Steady course, but cautiously optimistic* (10 July).

Senior Analyst, FX Strategy
Lars Sparresø Merklín
+45 45 13 85 18
ism@danskebank.dk

Key figures and events

Friday, July 10, 2020			Period	Danske Bank	Consensus	Previous
-	EUR	Fitch may publish Italy's debt rating				
-	CNY	Money supply M2	y/y		11.1%	11.1%
8:00	NOK	Core inflation (CPI-ATE)	m/m y/y	0.4% 3.1%	.. 3.0%	0.1% 3.0%
8:00	NOK	CPI	m/m y/y		.. 1.4%	0.2% 1.3%
8:00	NOK	PPI	m/m y/y			-2.7% -17.5%
8:00	DKK	CPI	m/m y/y	0.3% 0.5%		-0.1% 0.0%
8:45	FRF	Industrial production	m/m y/y		12.5% -26.2%	-20.1% -34.2%
9:30	SEK	Riksbank publishes minutes from June 30. meeting				
14:30	CAD	Net change in full time employment	1000			219.4
14:30	USD	PPI	m/m y/y		0.4% -0.2%	0.4% -0.8%
14:30	USD	PPI core	m/m y/y		0.1% 0.5%	-0.1% 0.3%

Source: Bloomberg, Danske Bank

Disclosures

This research report has been prepared by Danske Bank A/S ('Danske Bank'). The author of the research report is detailed on the front page.

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.

Danske Bank's research reports are prepared in accordance with 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 on 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

Each working day.

Date of first publication

See the front page of this research report for the date of first publication.

General disclaimer

This research has been prepared by Danske Bank A/S. It is provided for informational purposes only and should not be considered investment, legal or tax advice. 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').]

This research report has been prepared independently and solely on the basis of publicly available information that Danske Bank A/S considers to be reliable but Danske Bank A/S has not independently verified the contents hereof. While reasonable care has been taken to ensure that its contents are not untrue or misleading, no representation or warranty, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or reasonableness of the information, opinions and projections contained in this research report and Danske Bank A/S, 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 and reflect their opinion as of the date hereof. These opinions are subject to change and Danske Bank A/S 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 (see separate disclaimer below) and retail customers in the European Economic Area as defined by Directive 2014/65/EU.

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 A/S'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 A/S 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 A/S who have prepared this research report are not registered or qualified as research analysts with the New York Stock Exchange or Financial Industry Regulatory Authority 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.

Disclaimer related to distribution in the United Kingdom

In the United Kingdom, this document is for distribution only to (I) persons who have professional experience in matters relating to investments falling within article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the 'Order'); (II) high net worth entities falling within article 49(2)(a) to (d) of the Order; or (III) persons who are an elective professional client or a per se professional client under Chapter 3 of the FCA Conduct of Business Sourcebook (all such persons together being referred to as 'Relevant Persons'). In the United Kingdom, this document is directed only at Relevant Persons, and other persons should not act or rely on this document or any of its contents.

Disclaimer related to distribution in the European Economic Area

This document is being distributed to and is directed only at persons in member states of the European Economic Area ('EEA') who are 'Qualified Investors' within the meaning of Article 2(e) of the Prospectus Regulation (Regulation (EU) 2017/1129) ('Qualified Investors'). Any person in the EEA who receives this document will be deemed to have represented and agreed that it is a Qualified Investor. Any such recipient will also be deemed to have represented and agreed that it has not received this document on behalf of persons in the EEA other than Qualified Investors or persons in the UK and member states (where equivalent legislation exists) for whom the investor has authority to make decisions on a wholly discretionary basis. Danske Bank A/S will rely on the truth and accuracy of the foregoing representations and agreements. Any person in the EEA who is not a Qualified Investor should not act or rely on this document or any of its contents.

Report completed: 10 July 2020, 07:08 CEST

Report first disseminated: 10 July 2020, 07:40 CEST