

Danske Daily

Market Movers Today

- Focus will be on Fed Chair Janet Yellen's semi-annual testimony to congress, which is due to be released at 14:30 CET. Market participants will scrutinise the speech for any hints about balance sheet reduction ('quantitative tightening') as well as the timing of the expected third rate hike this year.
- The Bank of Canada (BoC) is expected to hike its policy rate by 25bp to 75bp. The latest hawkish communication from BoC members has implied this is almost fully priced in but given the significant focus on the global tightening of monetary policy, the expected hike could fuel these speculations further. Notably, market pricing has gone from a 25% probability of a rate cut only two months ago to the hike being almost fully priced in now without considerable changes in economic data.
- In the UK, the unemployment and earnings figures for May are due for release. Despite the pickup in inflation in the UK, wage growth remains subdued and the underlying price pressure does not signal that the BoE needs to tighten its monetary policy in the near term.
- In the euro area, industrial production for May is due for release and based on the country figures, which have already been released, it should be solid. In Germany, industrial production in Q2 points to a pickup in economic activity versus Q1, when GDP growth was 0.6% q/q.
- In Sweden, Prospersa is due to release an updated inflation survey at 08:00 CET. It is the monthly survey of money market players' expectations. It might give an indication of where the broader quarterly survey is heading but is paid less attention to by the Riksbank.
- In commodity markets, the oil market will look at OPEC's monthly oil market report and the weekly EIA inventory data, while the grains market will read the monthly WASDE from the USDA for news about the supply situation on US wheat market.

Selected Market News

The USD dropped yesterday on the news that Donald Trump Jr. apparently knew about Russian interference in the US presidential election. EUR/USD rose to a new year-high at 1.147. The equity market was unscathed by the news.

Comments from the Fed's Lael Brainard are likely to have added to the bearish sentiment around the USD. She voiced caution over the prospect of further rate increases due to low inflation and that the neutral real rate was likely to be close to zero still. The dovish tone on the outlook for rate increases was countered by her stance on quantitative tightening, which she was comfortable with starting 'soon'.

Oil prices found fundamental support yesterday. First, in EIA monthly short-term energy outlook, where the EIA revised down its forecast for US production by 110kb/d. In combination with the drop in the US oil rig count two weeks ago, it provides evidence that US oil producers are beginning to feel the pain from the recent drop in oil prices. Second, the American Petroleum Institute was said to report that US crude stocks fell 8mb last week.

Holiday edition

Selected readings from Danske Bank

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Key figures and events

| Wednesday, July 12, 2017 | | | Period | Danske Bank | Consensus | Previous | |
|--------------------------|-----|---------------------------------------------------|---------|-------------|-----------|-----------|-----------|
| 8:00 | SEK | Prospera inflation expectations | | | | | |
| 10:30 | GBP | Unemployment rate (3M) | % | May | 4.5% | 4.6% | 4.6% |
| 10:30 | GBP | Average weekly earnings ex bonuses (3M) | y/y | May | 1.8% | 1.9% | 1.7% |
| 11:00 | EUR | Industrial production | m/m y/y | May | 1.4% ... | 0.6% 3.5% | 0.5% 1.4% |
| 14:30 | USD | Fed releases Chair Yellen's testimony to Congress | | | | | |
| 16:00 | USD | Fed Chair Yellen semi-annual testimony to House | | | | | |
| 16:00 | CAD | Bank of Canada rate decision | % | | 0.75% | 0.75% | 0.50% |
| 16:30 | USD | DOE U.S. crude oil inventories | K | | | | |
| 20:15 | USD | Fed's George (non-voter, hawkish) speaks | | | | | |

Source: Bloomberg, Danske Bank

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