

Danske Daily

Market movers today

- **Trade war developments set to stay in focus with markets awaiting Chinese retaliation measures versus US.** That said, both the US and China have signalled in recent days that they may be willing to enter high-level negotiations on the topic after these stalled in early June. Note also the China-EU Summit in Beijing on 16-17 July, which could form the basis for next moves in the trade dispute.
- A slow day in term of data releases. **The University of Michigan confidence indicator will get increased attention in order to judge any impact of the trade war;** note though that the survey is conducted prior to the most recent move from Trump.
- **The Fed releases its semi-annual monetary policy report** to Congress this evening; however, Chair Jerome Powell is not set to testify on this until next week.
- **Trump continues his European tour to the UK,** where he will hold a press conference with PM Theresa May this afternoon.

Selected market news

- **In the absence of new trade war announcements, equities cheered and Treasuries suffered as US data confirmed the health of the US economy with notably CPI data hinting at price pressures building.** Notably, the 2Y Treasury yield rose as markets became increasingly convinced the Fed will continue to hike despite trade wars; the US 10Y yield remains close to 2.85%. We still expect the Fed to raise rates twice more this year.
- **Following the oil price plunge earlier this week, crude prices have seen Brent settle in the USD74/bbl area.** EUR/USD is little changed and notably the economic effects of trade war seem to dominate any safe-haven flows in the FX market for now with JPY and CHF under pressure. EUR/SEK jumped after a combination of slightly soft core inflation and a Riksbank increasingly focused on the latter raised question marks regarding the Riksbank's intentions to hike later this year. See *Flash Comment: Minutes focus on core CPIF which undershoots again*, 12 July.
- **UK Prime Minister May yesterday laid out her (relatively soft) Brexit plan in full,** which revealed that the UK is looking to strike a free-trade-in-goods agreement with the EU, while there was no deal on services and banks. In our view, the EU is unlikely to succumb to the plan as it stands and tough EU-UK negotiations are set to remain ahead of the October deadline. Separately, **US President Trump initiated his three-day visit in the UK,** meeting May, whom aims at pushing for a US-UK trade deal. However, Trump criticised May's Brexit plan and showed little interest in landing a bilateral trade agreement.
- **ECB minutes from the June meeting released yesterday highlighted the focus within the governing council on focusing its communication on 'forward guidance on policy rates by adding an explicit date-based and state-contingent component'.** Recently, there has been a lot of discussion as to what the saying that rates would be kept unchanged 'through the summer 2019' in fact means. In any case, we do not see the first hike until December 2019 and stress that we may see ECB members start to comment on market pricing to a larger degree in the future in order to guide the market.

Holiday edition

Selected readings from Danske Bank

- *Flash Comment - Minutes focus on core CPIF which undershoots again*

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Key figures and events

Friday, July 13, 2018			Period	Danske Bank	Consensus	Previous
-	EUR	Moody's may publish Germany's debt rating				
-	EUR	Fitch may publish Spain's debt rating				
-	CNY	Trade balance	USD bn	Jun	27.2	24.9
6:30	JPY	Industrial production, final	m/m y/y	May		-0.2% 4.2%
8:00	NOK	Trade balance	NOK bn	Jun		16.3
9:00	ESP	HICP, final	m/m y/y	Jun	0.2% 2.3%	0.2% 2.3%
14:30	USD	Import prices	m/m y/y	Jun	0.1% ...	0.6% 4.3%
16:00	USD	University of Michigan Confidence, preliminary	Index	Jul	98.2	98.2
17:00	USD	Fed releases Monetary Policy Report to Congress				

Source: Bloomberg, Danske Bank

Key figures and events

Fredag den 13. juli 2018			Periode	Danske Bank	Konsensus	Seneste
-	EUR	Moody's publicerer muligvis Tysklands gældsrating				
-	EUR	Fitch publicerer muligvis Spaniens gældsrating				
-	CNY	Handelsbalance	mia. USD	jun	27.2	24.9
6:30	JPY	Industriproduktion, endelig	m/m å/å	maj		-0.2% 4.2%
8:00	NOK	Handelsbalance	mia. NOK	jun		16.3
9:00	ESP	HICP, endelig	m/m å/å	jun	0.2% 2.3%	0.2% 2.3%
14:30	USD	Importpriser	m/m å/å	jun	0.1% ...	0.6% 4.3%
16:00	USD	Tillidsindikator (Uni. of Michigan), foreløbig	Indeks	jul	98.2	98.2
17:00	USD	Fed offentliggør sin pengepolitiske rapport				

Source: Bloomberg, Danske Bank

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