

# Danske Daily

## Uncertainty ticks higher on Monday's reversal

### Market movers today

- Three of the leading US banks report earnings ahead of the US open. Sentiment for the remaining day will likely be heavily affected by these reports and one will take stock of California's rolling back of its plans for re-opening (see below).
- In the US, weak but improving small business optimism and inflation data is likely to signal a continued need for policy support. To instil some market optimism, we need to see continued improvement in the data and one should not focus on the overall level of activity as such. If so, positive macro surprises are likely broad USD negative.
- The Polish central bank holds a press conference today and in line with the unanimous consensus we do not expect a change in the reference rate.

*Holiday edition*

### Selected market news

In what started as an otherwise upbeat session in Europe and the US, things did not exactly pan out as could have been projected yesterday. Headline indices such as NASDAQ and S&P500 were initially +1-2% but closed in red with NASDAQ and other high-multiple technology firms being firmly sold. The dollar also pared earlier losses. Reports cite re-flaring of tensions with China on the South China Sea but notably California halted indoor dining and bars and many schools will only offer only remote learning in the upcoming year.

The stay-at-home firms were leading the sell-off, yesterday. It remains to be seen if this will be continued by (1) a renewed pickup in recovery via banks, autos, hotels and travel such as seen in May; (2) a blip for the broad technology sector but which is to resume the lead, or (3) if this is the beginning of a minor correction in global equities. If the latter, one should expect NOK and SEK to move lower but note markets have for months been able to broadly ignore the US coronavirus situation. Nonetheless, the key new item of information is a rolling back of the re-opening, thus adding to wider *economic* concerns on the need of a new (US) shutdown. Overnight, futures on US indices are mildly paring losses but the major test today will be earnings from US banks and continued digestion of the news from California and the response from other states.

The current Polish president Andrzej Duda stands to get re-elected in a narrow win. We expect Duda to implement sizeable fiscal packages as well as continue the PIS party's national conservative agenda on legal and women's rights and their critical stance on EU.

Unemployment in Sweden reached 9.2%, according to PES. The manufacturing industry continues to account for a large share. Layoffs are concentrated around the larger cities, which have been hit the hardest by coronavirus-induced shutdowns.

Hong Kong seems to have joined the growing list of country experiencing regional second waves (Japan, Australia, Israel, some US states etc.). The overall outlook on Europe and China is still good, though. In the US, we are seeing a sharp acceleration in fatalities in California, Texas, Florida and Arizona over the past week. See more in *COVID-19 Update - US deaths accelerate but risk sentiment improves on news about treatments* (13 July).

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Key figures and events

Tuesday, July 14, 2020			Period	Danske Bank	Consensus	Previous
-	CNY	Trade balance	USD bn		57.4	62.9
-	PLN	Polish central bank rate decision	%	0.1%	0.1%	0.1%
6:30	JPY	Industrial production, final	m/m y/y			-8.4% -25.9%
8:00	GBP	Monthly GDP estimate	m/m q/q		0.053 -0.174	-0.204 -0.104
8:00	GBP	Index of services	m/m 3m/3m		0.048 -0.17	-0.19 -0.099
8:00	GBP	Trade balance	GBP mio.		-700	305
8:00	DEM	HICP, final	m/m y/y		0.7% 0.8%	0.7% 0.8%
9:00	ESP	HICP, final	m/m y/y		0.4% -0.3%	0.4% -0.3%
9:30	SEK	Underlying inflation CPIF	m/m y/y		0.4% 0.5%	0.6% 0.0%
9:30	SEK	CPI	m/m y/y		0.4% 0.5%	0.6% 0.0%
11:00	EUR	Industrial production	m/m y/y		9.0% -21.2%	-17.1% -28.0%
11:00	DEM	ZEW current situation	Index		-62.5	-83.1
11:00	DEM	ZEW expectations	Index		62.5	63.4
12:00	USD	NFIB small business optimism	Index		97.5	94.4
14:30	USD	CPI headline	m/m y/y		0.6% 0.6%	-0.1% 0.1%
14:30	USD	CPI core	m/m y/y		0.1% 1.1%	-0.1% 1.2%
20:30	USD	Fed's Bullard (non-voter, dovish) speaks				

Source: Bloomberg, Danske Bank

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