

Danske Daily

Moderna takes important step towards COVID-19 vaccine

Market movers today

- **Quarterly earnings reports coming in will draw headlines as well as COVID-19 spreading. We will also receive US industrial production. Tonight Fed's Harker speaks.**
- **In Sweden, long-term inflation expectations are due, see comment below.**

Selected market news

Moderna's attempt to produce a COVID-19 vaccine made important progress yesterday as the drug produced antibodies in all the patients tested according to a new study, without enough side effects to preclude testing to continue. This does not mean that it may lead to a vaccine in the end, but it is an important step towards finding a vaccine. Moderna is considered one of the producers farthest ahead in the process.

US President Trump ordered to end Hong Kong's special status. This means that the US can now sanction Chinese officials responsible for the pushing back on the uproars and political dissenters. Furthermore, Kudlow was out saying that China is being put 'on notice' in relation to Hong Kong. This comes on the back of Trump's tunes during the weekend on a phase two deal not being on the radar.

Yesterday, the UK banned new Huawei components from its 5G network operations past end-2020. This is a clear swift in attitude compared to just six months ago. The US and Trump had put pressure on the UK to take this similar action.

The German ZEW survey for July released yesterday was mixed. While the expectations component (6M ahead) came in broadly as expected and pointed to continued optimism, the current survey component was weaker than expected and shows that Germany is not out of the woods yet. Tomorrow's ECB meeting will likely reflect on the improved optimism in forward-looking survey metrics, albeit still not take firm decisions to withdraw stimuli. The euro area industrial production figures from May were broadly in line with expectations.

In Sweden, both June CPIF inflation and CPIF ex energy surprised on the upside, 0.7% y/y and 1.3% y/y respectively, but still well below the inflation target. However, low inflation is already in both the market and Riksbank forecasts, so no major market movements. More important are the inflation expectations (primarily the longer term), which are out today and need to be monitored closely. If confidence problems arise with regard to the Riksbank's ability to manage the 2% target, it would probably be forced to make monetary policy even more expansionary.

Yesterday we published *Global Macro Update: Tailwind from global monetary policy to the world economy*, which takes a look at the global monetary policy expansion that has been carried out since the beginning of the COVID-19 shock. First we look at the various monetary policy initiatives, then assessing to what extent monetary policy is accommodative and finally discussing the possible impact on global equity markets.

Holiday edition

Selected reading from Danske Bank

- *ECB Research: Steady course, but cautiously optimistic, 10 July*
- *COVID-19 Update: US deaths accelerate but risk sentiment improves on news about treatments, 13 July*

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Key figures and events

| Wednesday, July 15, 2020 | | | | Period | Danske Bank | Consensus | Previous |
|--------------------------|-----|--------------------------------------|---------|-------------|-------------|------------|-------------|
| - | JPY | BoJ policy rate | % | | -0.1% | | -0.1% |
| 8:00 | GBP | PPI - input | m/m y/y | Jun | | | 0.3% -10.0% |
| 8:00 | GBP | CPI | m/m y/y | Jun | | 0.0% 0.5% | 0.0% 0.5% |
| 8:00 | GBP | CPI core | y/y | Jun | | 1.2% | 1.2% |
| 8:00 | SEK | Prospera inflation expectations | | | | | |
| 8:00 | NOK | Trade balance | NOK bn | Jun | | | -1.2 |
| 10:00 | ITL | HICP, final | m/m y/y | Jun | | ... -0.4% | ... -0.4% |
| 14:30 | USD | Import prices | m/m y/y | Jun | | 1.0% ... | 1.0% -6.0% |
| 14:30 | USD | Empire Manufacturing PMI | Index | Jul | | 5.5 | -0.2 |
| 15:15 | USD | Capacity utilization | % | Jun | | 68.0% | 64.8% |
| 15:15 | USD | Industrial production | m/m | Jun | | 4.8% | 1.4% |
| 15:15 | USD | Manufacturing production | m/m | Jun | | 5.5% | 3.8% |
| 16:00 | CAD | Bank of Canada rate decision | % | | 0.3% | 0.3% | 0.3% |
| 16:30 | USD | DOE U.S. crude oil inventories | K | | | | 5654 |
| 18:00 | USD | Fed's Harker (voter, neutral) speaks | | | | | |
| Thursday, July 16, 2020 | | | | Period | Danske Bank | Consensus | Previous |
| 0:45 | NZD | CPI | q/q y/y | 2nd quarter | | -0.5% 1.5% | 0.8% 2.5% |
| 3:30 | AUD | Employment change | 1000 | Jun | | 104 | -227.7 |
| 4:00 | CNY | Real GDP | q/q y/y | 2nd quarter | | 9.6% 2.5% | -9.8% -6.8% |
| 4:00 | CNY | Fixed assets investments | y/y | Jun | | -3.4% | -6.3% |
| 4:00 | CNY | Industrial production | y/y | Jun | | 4.8% | 4.4% |
| 4:00 | CNY | Retail sales | y/y | Jun | | 0.2% | -2.8% |

Source: Bloomberg, Danske Bank

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Each working day.

Date of first publication

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Report completed: 15 July 2020, 06:46 CEST

Report first disseminated: 15 July 2020, 07:20 CEST