

Danske Daily

EU Commission President candidate facing knife-edge vote

Market movers today

- In Europe, at 18:00 CEST the European Parliament will vote on Ursula von der Leyen's appointment as Commission President. She is potentially facing a knife-edge vote after policymakers from the Greens and Left already ruled out their support and the centre-left Socialists remain divided. Should she fail to secure the 374 votes for a majority, it risks triggering an institutional crisis in the EU.
- Also on the agenda today in Europe is the ZEW business survey, which is one of the first sentiment indicators in July. While last week saw improved risk sentiment stemming from surprise candidates (e.g. French industrial production), we expect further downside in the expectations component or some stabilisation at best.
- Fed Chairman Jerome Powell will speak about 'Aspects of Monetary Policy in the Post-Crisis Era' at an event in Paris today.
- In the US, retail sales and industrial production numbers for June are due for release.

Selected market news

Asian stocks are mixed this morning amid light volumes and few market drivers. Generally, risk sentiment has been quite supported in July. Yesterday, we published an *FX Edge* highlighting that efforts by the global central banks have led to easing of financial conditions, which should bode well for the global economy in the second half of 2019, especially supporting Scandi currencies, AUD, and JPY. For more details see *FX Edge: H2 deflation set to drive high-beta currencies, support risk* as well as our newly issued *FX forecast update for July*.

On Brexit, a *Bloomberg* story this morning is reporting that a meeting between chief UK and EU Brexit negotiators last week was one of the most difficult encounters of the last three years, according to European officials. According to the story the EU is looking into 'a package of measures that would aim to make it more palatable in the UK', as the EU is bracing itself for talks to become more hostile under the next British government, which will be formed after a new UK Conservative leader is elected next week.

Yesterday Turkey's new central bank governor signalled an impending interest rate cut at next week's meeting, arguing that the bank has 'room to manoeuvre' on monetary policy as inflation falls. The new governor also emphasised the importance of tackling inflation and promised to safeguard a 'reasonable rate of real return' for investors. Admittedly inflation has come down quite significantly to just over 15% in June, compared with 25.5% at the peak in October last year, while the central bank rate has remained at 24% since September. However, the problem is that the current inflation rate is quite far away from the central bank's target of 5%.

Holiday edition

Selected readings from Danske Bank

- *FX Forecast Update: Fed deflation and weaker USD taking hold*
- *FX Edge: H2 deflation set to drive high-beta currencies, support risk*
- *FX Edge: The EUR and ECB - rate cuts are all that matter*
- *IMM Positioning Update: Speculative copper positioning back in stretched short territory*
- *Euro Area Macro Monitor: ECB's credibility on the line*
- *Japanese Investor Flows into Foreign Sovereign Debt for May 2019*

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Key figures and events

Tuesday, July 16, 2019					Period	Danske Bank	Consensus	Previous
0:45	NZD	CPI	q/q y/y	2nd quarter		0.6% 1.7%	0.1% 1.5%	
10:30	GBP	Unemployment rate (3M)	%	May		3.8%	3.8%	
10:30	GBP	Average weekly earnings ex bonuses (3M)	y/y	May		3.5%	3.4%	
11:00	DEM	ZEW current situation	Index	Jul		4.0	7.8	
11:00	DEM	ZEW expectations	Index	Jul		-23.0	-21.1	
11:00	ITL	HICP, final	m/m y/y	Jun		.. 0.8%	.. 0.8%	
11:00	EUR	Trade balance	EUR bn	May			15.3	
14:30	USD	Retail sales control group	m/m	Jun		0.3%	0.4%	
14:30	USD	Import prices	m/m y/y	Jun		-0.5% ..	-0.3% -1.5%	
15:15	USD	Capacity utilization	%	Jun		78.1%	78.1%	
15:15	USD	Industrial production	m/m	Jun		0.1%	0.4%	
15:15	USD	Manufacturing production	m/m	Jun		0.3%	0.2%	
16:00	USD	NAHB Housing Market Index	Index	Jul		64.0	64.0	
19:00	USD	Fed's Powell (voter, neutral) speaks						
21:30	USD	Fed's Evans (non-voter, dovish) speaks						
22:00	USD	TICS international capital flow, Net inflow	USD bn	May			-7.8	

Source: Bloomberg, Danske Bank

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Each working day.

Date of first publication

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Report completed: 16 July 2019, 06:55 CEST

Report first disseminated: 16 July 2019, 07:30 CEST