

Danske Daily

Market Movers Today

- It is a very quiet day in terms of data releases with the only figure due for release being the US Empire manufacturing PMI. Consensus estimates a decline but it should not go down to the levels seen in April and May this year.
- Later this week, all eyes will be on the ECB meeting, where we expect it to remove its readiness to increase QE in size (but to keep the flexibility in terms of duration) and to have discussed tapering after President Mario Draghi rejected such discussions at the latest meeting in June. In our view, a tapering discussion will be in line with the latest communication from Draghi, that in a situation where the economy continues to recover, monetary policy tightening could be needed in order to keep the policy stance ‘broadly unchanged’. We still believe the ECB will continue QE but at a reduced pace of EUR40bn per month in H1 18. See more in *ECB preview: another minor hawkish twist*, 14 May 2017.
- The minutes from the Riksbank meeting in July are due to be released Tuesday and could attract additional attention as the Riksbank’s statement deviated from the communication among global central banks by not including any signs of hawkishness. The Riksbank argued that growth is strong and inflation is approaching 2%, but that continued expansionary policy is needed to stabilise inflation at around 2%. This is very different from the thinking among global central banks that strong growth today will translate into higher wage pressure later.

Selected Market News

This morning’s release of the Chinese GDP growth figure for Q2 showed growth of 6.9% in line with the government’s target. The retail sales figure for June was up 11.0% y/y, consistent with the past couple of years’ development, while industrial production increased 7.6% y/y, which was higher than consensus of 6.5%. The improvement at the end of the quarter is somewhat in line with the PMI data for June, which showed a small increase and thereby fewer downside risks. That said, most of our preferred leading indicators pointed to a weaker cycle in H2, implying that official data should be taken with a pinch of salt, in our view.

On Friday, we got some weak US data including CPI, which declined to 1.6% y/y in June from 1.9% y/y in May whereas CPI core inflation was unchanged at 1.7% y/y. More surprising was the 0.1% m/m decline in the retail sales control group in June, as consensus had estimated a 0.3% m/m increase. Related to this, the University of Michigan consumer confidence for July showed that consumer sentiment is still upbeat but not as much as previously, as the figure was down to 93.1 from 95.1, which is the lowest since October 2016 (the lowest since Donald Trump won the election). Finally, manufacturing production was up 0.2% m/m in June after declining 0.4% m/m in May, implying the figure rose 1.4% in Q2, which was not as strong as suggested by very strong ISM (Markit PMI was better at capturing the development).

Holiday edition

Selected readings from Danske Bank

- *ECB preview: another minor hawkish twist*

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Key figures and events

Monday, July 17, 2017				Period	Danske Bank	Consensus	Previous
4:00	CNY	Industrial production	y/y	Jun		6.5%	6.5%
4:00	CNY	Retail sales	y/y	Jun		10.6%	10.7%
4:00	CNY	Real GDP	q/q y/y	2nd quarter		1.7% 6.8%	1.3% 6.9%
4:00	CNY	Fixed assets investments	y/y	Jun		8.5%	8.6%
14:30	USD	Empire Manufacturing PMI	Index	Jul		15.0	19.8

Source: Bloomberg, Danske Bank

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