

# Danske Daily

## Market movers today

- A quiet week ends with no important data releases in the calendar.
- There are a few sovereign rating reviews, as France and Austria are up for review by Fitch and Greece is up for review by S&P. We do not expect either France or Austria to see a change in their rating or the outlook. Greece was recently upgraded by S&P (25 June) due to the creation of a liquidity buffer and debt maturity extension following the agreement between the euro group and Greece on 22 June. This happened outside the normal rating calendar. Hence, we do not expect a change in Greece's rating at today's review.

## Selected market news

Chinese assets are in focus as the CNY continues to weaken. USD/CNY moved above 6.80 overnight for the first time in more than a year after the People's Bank of China weakened the USD/CNY fixing by 0.9% to 6.7671. This was the largest daily weakening of the CNY fixing in two years. USD/CNH has increased to 6.8133 and that CNH is now trading quite a bit weaker than CNY is a clear sign of depreciation pressure. With exports under pressure, China is probably happy with a weaker currency and there is no sign yet of a strong attempt to stop the depreciation, as offshore money-market rates are not pushed markedly higher to 'defend the currency'. We continue to see downside pressure on the CNY, as there are no signs of a thawing in the trade war (no negotiations) and we expect to see more monetary policy easing to support the economy going into the trade war with the US. See *China Notes – CNY weakness continues – clear risk of further weakening*, 19 July.

Base metal markets sold off yesterday, with the price of LME copper briefly falling below USD6,000/metric ton. The main driver was the trade war led rise in USD/CNY. Oil prices found some support in comments from Saudi Arabia, which it is not about to flood the market with supplies.

Global equity markets trade lower as concerns about tariffs and Chinese growth weigh on risk appetite. The S&P 500 index closed 0.4% lower in the US and most regional equity indices in Asia are also lower this morning, with the biggest declines in Hong Kong (Hang Seng) and Japan (Nikkei).

The 2Y10Y US yield curve flattened yesterday, driven by a rally in the long end, with yields on 10Y US Treasuries declining 5bp from a high of 2.895% to 2.845%.

In the FX market, the USD sold off significantly and EUR/USD initially bounced to 1.1678 after US President Donald Trump criticised the Fed in an interview with CNBC by saying that he is 'not thrilled' with the Fed rate hikes. He also said he would not interfere with the Fed and we doubt the Fed will change its course due to the well-known Trump view. Yesterday's sell-off in the USD seems a bit overdone in our view. We have argued that a trade war is more likely to be USD positive due to the less open US economy and we still expect EUR/USD to trade at the low end of 1.15-1.21 in coming months. Technically, the 100-day EUR/USD moving average has broken below the 200-day moving average, which is usually a bearish sign for the cross.

## Holiday edition

### Selected readings from Danske Bank

- *ECB Preview – Cruising to the end of QE*, 20 July
- *China Market Monitor – unabated weakening of the CNY*, 19 July
- *Vacation Wrap-Up – Market themes during the past three weeks*, 15 July
- *FX Strategy - FX ripple effects of global trade war*, 16 July

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## Key figures and events

## Friday, July 20, 2018

				Period	Danske Bank	Consensus	Previous
10:00	EUR	Current account	EUR bn	May			28.4
14:00	USD	Fed's Bullard (non-voter, dovish) speaks					
14:30	CAD	CPI	m/m y/y	Jun			... 2.2%
14:30	CAD	Retail sales	m/m	May			-1.2%

Source: Bloomberg, Danske Bank

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### Expected updates

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### Date of first publication

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