

Danske Daily

Market Movers Today

- The main event today is the meeting at the ECB with an announcement on the policy rate and quantitative easing (QE) due at 13:45 CET followed by President Mario Draghi's press conference, due to start at 14:30 CET. We expect the ECB to remove its readiness to increase QE in size (but to keep the flexibility in terms of duration) and to discuss tapering. In our view, a tapering discussion would 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'. However, the risk is that Draghi will express some dovishness due to the latest EUR appreciation and surge in bond yields. See *ECB preview: Another minor hawkish twist*, 14 July.
- The euro area preliminary consumer confidence for July is due for release today and is expected to have continued to improve. Last month it rose to the highest level since 2001, signalling continued growth in consumer spending. In the UK, the June retail sales figures will be scrutinised for any impact of negative real wage growth. See *Research UK: Negative real wage growth has slowed GDP growth*, 18 July.
- In the US, the Philly Fed index for July will be in focus after Empire manufacturing dropped in July. If the Philly Fed has also weakened, it will be another signal of some payback in ISM manufacturing after it rose sharply by close to three index points from May to June.
- The South African central bank is apparently due to make an announcement on monetary policy today. Consensus expects the central bank to keep its key policy rate unchanged at 7.00%, but the risk is that it will deliver a 25-50bp cut.

Selected Market News

The Bank of Japan kept monetary policy unchanged as expected this morning. It has maintained its easing bias, saying it will conduct accommodative monetary policy until inflation and inflation expectations are above 2% in a stable manner. However, it now expects to hit its 2% inflation target around April 2019 – a year later than the previous projection. USD/JPY and EUR/JPY are slightly higher this morning, but price actions have been muted overall following the announcement, indicating that today's decision to keep policy unchanged was expected.

The oil market focused on the large crude and gasoline inventory draw in the weekly inventory report from the US Energy Information Administration yesterday, sending oil prices higher with the price on Brent crude notching USD49.7/bbl. However, the report also pointed to a fall in implied gasoline demand and higher US crude production – two negative factors for prices.

On the political front, US President Trump asked Republican senators to delay recess and continue working to get a deal done on the repeal of Obamacare. Talks between US and Chinese officials on a trade deal failed to deliver a joint statement on the matter and the US and the UK are said to have proposed a road map to help resolve the conflict between Qatar and Saudi Arabia.

Holiday edition

Selected readings from Danske Bank

- *ECB preview: another minor hawkish twist*

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Key figures and events

Thursday, July 20, 2017			Period	Danske Bank	Consensus	Previous
-	JPY	BoJ policy rate	%	-0.10%	-0.10%	-0.10%
-	JPY	BoJ monetary policy announcement				
1:50	JPY	Exports	y/y (%)		0.1	0.1
1:50	JPY	Import	y/y (%)		0.1	0.2
1:50	JPY	Trade balance, s.a.	JPY bn		129.5	133.8
3:30	AUD	Employment change	1000		15	42
9:00	DKK	Consumer confidence	Net. bal.			7.1
10:00	EUR	Current account	EUR bn			22.2
10:30	GBP	Retail sales ex fuels	m/m y/y		0.5% 2.5%	-1.6% 0.6%
13:45	EUR	ECB announces refi rate	%	0.00%	0.00%	0.00%
13:45	EUR	ECB announces deposit rate	%	-0.40%	-0.40%	-0.40%
13:45	EUR	ECB's monthly asset purchase target	EUR bn	EU60	EU60	EU60
14:30	EUR	ECB's Draghi speaks at press conference				
14:30	USD	Philly Fed index	Index		21.5	27.6
14:30	USD	Initial jobless claims	1000			247
16:00	EUR	Consumer confidence, preliminary	Net bal.	-1.0	-1.1	-1.3

Source: Bloomberg, Danske Bank

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