

# Danske Daily

## Market movers today

- It is a relatively quiet day on the data front with the exception of Sweden, where a host of different labour market indicators and new debt projections by the debt office are due (see the Scandi section next page).
- In the US, the financial markets are continuing to absorb the Fed's rate hike decision last week. We will listen extra carefully to the speech by Evans (voter, dovish) today, as we think he may be one of the four FOMC members who does not expect any further hikes this year. See *FOMC review: Hawkish Yellen ignores inflation and weaker data*, 15 June 2017.

## Selected market news

US tech stocks rallied yesterday with the Nasdaq 100 Index jumping the most since November, thereby rebounding from two weeks of declines, though not enough to recoup all of the losses that started on 9 June. Treasuries fell after William Dudley said halting the tightening cycle now would imperil the US economy. The dollar rose to the highest versus the yen since 2 June, while gold slipped to a one-month low as haven demand ebbed. This morning, Asian equities are also higher.

Brent oil prices are more or less unchanged this morning and seem to have found a floor in recent days after a significant decline over the past month. We updated our views on the Commodities Market Guide yesterday.

In France, the financial markets are absorbing the strong parliamentary election result for President Macron and his government, which gained absolute majority in the French Parliament on Sunday. Yesterday, stocks of French state-owned companies soared on speculation that Macron will seek a greater role for the private sector in these companies. For more details on the French election, please see our *French election monitor #6*, 19 June 2017.

The negotiations between the UK and the EU's chief negotiator kicked off yesterday. The UK seems to have lost its first battle with the European Union over the timetable for Brexit talks, as the UK government gave in to EU demands to discuss the terms of its divorce – including the exit fee – before any consideration can begin on the future trade deal that Britain wants with Europe's common market. The UK government had originally hoped for parallel talks on both the 'divorce' terms and a free trade agreement, but that demand has now been scrapped.

## Selected readings from Danske Bank

- *Yield Outlook: Range trading in 2017, but risk is skewed to the upside*
- *French Election Monitor No. 6: After Macron wins majority, focus turns to reforms*
- *French Election Monitor No. 5: Macron on track to win majority*
- *Research UK: Minority government is weak from the beginning*

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## Read more in Danske Bank's recent forecasts and publications

- *Nordic Outlook*
- *Yield Forecast Update*
- *FX Forecast Update*
- *Weekly Focus*

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## Scandi markets

Swedish May labour market data is due to be released at 09:30. We expect seasonally-adjusted unemployment to ease a little to 6.6% (6.7%). By and large, the Swedish labour market is strong with employment picking up at a rate of some 1.5% y/y and a high participation rate and we foresee no change to that anytime soon. At the same time, the Debt Office will publish a revised forecast for state finances. The previous forecast (February) saw a small budget deficit (SEK20bn) in 2017 turning to a small surplus (SEK17bn) in 2018. We think that these estimates will largely hold.

## Fixed income markets

The peripheral market rebounded on Monday on the back of the French general election which provided Macron with a healthy victory as well as the change in the rating outlook for Portugal from stable to positive. The rating cycle seems to have changed from being negative to being positive for a number of EU countries. One of the key trades that we like in this environment is the Bund-swap spread widener. The Bund swap spread widener is easy to implement and has positive carry being long bonds versus swaps.

There is no significant key economic data from the EU today, but we have a number of speeches from Federal Reserve governors. We are looking for more comments on the Federal Reserve's QT programme.

In Scandi, the Swedish Debt office is due to launch its spring review, where the borrowing forecast will be released. We do not expect any significant changes in the borrowing requirement for 2017, as indicated in the Scandi section.

## FX markets

The USD got off to a decent start this week following a set of upbeat FOMC comments (Dudley). Not least, USD/JPY has moved higher, supported by the rise in US treasury yields. Going forward, we pencil in near-term USD strength but we still prefer to express this view via the EUR, given our expectation of the eurozone cycle turning over, the inflationary outlook leaving the ECB in dovish mode and as positioning has turned even longer the EUR/USD. See *IMM Positioning Update: broad based reduction in USD longs ahead of Fed*, 19 June 2017.

In the Scandies, it has generally been a quiet start to the week. The move higher in EUR/NOK can primarily be explained by the lower oil price but also short-end rates spreads are marginally higher. Otherwise, the key events for the NOK this week will be Thursday's Norges Bank meeting and the release of the Gjedrem report on Friday (note, the report release has been pushed forward one week). Yesterday, we released *Reading the Markets Norway* in which we explain why on balance we see these events as NOK positives even if we do not pencil in substantial NOK strength in our main scenarios. For the SEK, today's calendar brings the May labour market report. We pencil in another strong report but according to economist surveys, this seems to be the consensus. If proven right, therefore, it is unlikely to drive the SEK much stronger.

## Key figures and events

Tuesday, June 20, 2017

			Period	Danske Bank	Consensus	Previous
1:00	USD	Fed's Evans (voter, dovish) speaks				
3:30	AUD	RBA June Meeting Minutes				
9:30	SEK	Unemployment (n.s.a. s.a.)	May	6.8% 6.6%		7.2% 6.7%
9:30	SEK	Swedish debt office forecast				
10:00	EUR	Current account	Apr			34.1
12:00	USD	Fed's Rosengren (non-voter, hawk) speaks				
14:00	HUF	Central Bank of Hungary rate decision		0.90%	0.90%	0.90%
14:00	USD	Fed's S.Fischer (voter, neutral) speaks				
14:30	USD	Current account	1st quarter		-121.2	-112.4
21:00	USD	Fed's Kaplan (voter, dovish) speaks				

Source: Bloomberg, Danske Bank

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Report completed: 20 June 2017 at 06:38 CET

Report first disseminated: 20 June 2017 at 07.40 CET