

Danske Daily

Market movers today

- The main event today is the G7 meeting in Italy as well as the impact on inflation from the continued decline in the oil prices after the OPEC meeting.
- There are only have a few data releases out of the US today, where the second round of US GDP numbers as well as the second estimated for PCE for Q1 are due to be published this afternoon.
- Yesterday, European government bond yields fell on the back of the move in US Treasury yields on Wednesday after the release of the FOMC minutes. The minutes were seen to be dovish by the market. Given the comments from the FOMC, we have changed our call for three-four hikes to three hikes next year. There were also more signals on the reduction on the balance sheet (QT). Read more on our view on the Federal Reserve, rate hikes and QT in *FOMC Minutes, Fed outlines QT principles and expects to hike soon*, 24 May 2017.

Selected market news

The oil price continued to decline after the OPEC meeting disappointed the market. OPEC extended the supply cuts but the market had hoped for more. Read more here: *Flash Comment International: OPEC supply cut extension disappoints the oil market*, 25 May 2017.

This has dragged down energy shares in the Asian region and many of the Asian equity indices have declined this morning and have been unable to follow the positive sentiment from the US markets yesterday.

In the currency market, the euro is trying to break through the 1.12 versus the USD, while USDJPY has been range-trading around the 111-112 level. The People's Bank of China is planning to change the yuan reference calculation by adding a 'counter-cyclical adjustment factor'. This should aim to limit big swings in the market.

The Fed's James Bullard supported the statements in the FOMC minutes in comments made to reporters in Tokyo this morning that the Fed is 'very close' to where it needs to be on monetary policy.

In Europe, both Fitch and Moody's have published positive statements on Portugal after the EU commission recommended that Portugal should be exiting the 'excessive deficit procedure'. Moody's notes this is a credit positive, while Fitch notes that this '*underscores the strengthening in the country's public finances following policy adjustments and an economic recovery*'. This is supportive for the PGB market even though short term, the focus will be on the possibility of additional issuance, as the Portuguese Debt Office recently announced that it will step up the repayment of the IMF debt.

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Selected readings from Danske Bank

- *FOMC minutes. Federal Reserves outline QT principles and expects to hike soon.*
- *OPEC meeting disappoints investors*

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Chief Analyst

Jens Peter Sørensen
+45 45 12 85 17
Jenssr@Danskebank.dk

Key figures and events

Friday, May 26, 2017

				Period	Danske Bank	Consensus	Previous
-	G7	G7 Meeting 26-27 May					
1:30	JPY	CPI - national ex. fresh food	y/y	Apr		0.4%	0.2%
1:30	JPY	CPI - national	y/y	Apr		0.4%	0.2%
4:00	USD	Fed's Bullard (non-voter, dove) speaks					
14:30	USD	Core capital goods orders, preliminary	%	Apr			0.5%
14:30	USD	GDP, second release	q/q AR	1st quarter		0.9%	0.7%
14:30	USD	PCE core, second estimate	q/q AR	1st quarter			2.0%
16:00	USD	University of Michigan Confidence, final	Index	May		97.5	97.7

Source: Bloomberg, Danske Bank Markets

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