

Danske Daily

Market movers today

- Today, **German retail sales figures for October** are due to be released. We have seen two consecutive monthly declines in August and September and we expect a bounce back in October. However, the overall picture indicates weakening private consumption in Europe in 2017. The real wage is weakening as nominal wage growth remains constant while inflation is rising. Thus, despite a bounce back in October, we expect retail sales figures to remain somewhat weaker looking ahead.
- Monday also brings **M3 money supply growth and loan growth** for October. We estimate M3 money growth will show a continuation in the 5% y/y growth figure for October. Loan growth, however, may be heading towards a slowdown. Despite lying at 1.8% y/y since June, the decline in European bank equities may indicate a slowdown in loan growth. We therefore see a risk that loan growth could be lower in the remainder of 2016.

Selected market news

Generally, market sentiment has been strong overnight with most Asian equity indices up. Most Asian currencies are also strengthening against the USD as market is taking a cautious stance after the recent rally and ahead of key US economic releases this week on US GDP, personal spending and nonfarm payroll.

Oil prices are trading relatively stable ahead of Wednesday's OPEC meeting, a deal to limit oil output to support oil prices will be discussed. We doubt that OPEC will be able to agree on anything that will have a substantial impact on oil prices. Based on recent headlines, it seems probable that it will come to some sort of agreement on a small output cut. It may spur a temporary small rise in oil prices, which we believe will fade as the market realises that compliance within the cartel is not strong enough for a deal to survive.

In France, Francois Fillon yesterday unexpectedly won the Republican presidential primaries over Alain Juppé with a large margin (67% of the votes). Fillon has based his campaign on a right-wing, market-friendly view, favouring the deregulation of the labour market and sizing down of the public sector. Attention now turns to which candidate the Socialist party will put forward to challenge Marine Le Pen from the National Front.

Selected readings from Danske Bank

- [Scandi Markets Ahead: GDP data in Sweden and Denmark and Swedish government bond auction](#)

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Scandi markets

In **Denmark**, the one-party government will be expanded with two more parties but will still be a minority. The new government remains committed to the current stability-oriented economic policy framework, including the fixed exchange rate. Furthermore, Denmark's Nationalbank is due to release securities statistics and foreign portfolio investments for October.

In **Sweden** retail sales and trade balance data (both pertaining to October) are due out, where improvements should be in the offing (as the SEK has weakened, beware of J-curve effects on imports though).

In **Norway**, retail sales (due today) have disappointed so far this year, which we would put down partly to high inflation eroding purchasing power. Nominal growth in consumer spending is currently around 3% y/y, while the change in the volume index has been negative. We expect retail sales to remain weak until inflation begins to slow, but we nevertheless estimate a slight positive correction in October, with retail sales climbing 0.4% m/m.

Fixed income markets

There are plenty of market drivers this week as we have a string of important key economic data due out, speeches by Fed members and the OPEC meeting due to take place on Wednesday, as well as the Italian referendum on electoral reforms next Sunday. The economic data (US non-farm payrolls, ISM and PCE inflation data as well as Euroland HICP data) is expected to support the 'reflation' theme. The speeches by the Fed members are also expected to support the reflation theme. However, given the risk that OPEC will not come to an agreement on the supply of oil on Wednesday, and that we most likely will see a 'no' result to the Italian referendum next Sunday, there are factors that could counter the potential significant upward move in bonds.

Speculation on changes to the QE programme was yet again fuelled over comments from 'sources within ECB' last week, but any reversal of the upward move in bond yields or reversal of Schatz/Bobl/Bund spread widening did not last long. There is a risk that the volatile sentiment will continue, which is likely to 'drive' more investors into safe haven assets in Europe, such as German government bonds. The squeeze in the repo market for German government bonds is expected to continue, as the Bundesbank is not expected to change collateral rules ahead of the ECB meeting on 8 December.

FX markets

Scandi FX markets will focus in particular on two events over the coming week. On Wednesday, OPEC is set to meet to discuss a deal to limit oil output to support oil prices. We doubt that OPEC will be able to agree on anything that will have a substantial impact on oil prices. Based on recent headlines, it seems probable that it will come to some sort of agreement on a small output cut. It may spur a temporary small rise in oil prices, which we believe will fade as the market realises that compliance within the cartel is not strong enough for a deal to survive. Lack of support to the oil market from OPEC along with a strong seasonal factor supports our view that EUR/NOK will stay supported towards the end of the year. We forecast EUR/NOK at 9.20 on 1M. On Sunday, Italy is set to hold a referendum on changes to the constitution. Opinion polls indicate that it will be a 'no', which could result in political uncertainty in Italy if the government steps down. That could weigh on the EUR/DKK spot and FX forwards if the markets speculate that the situation could potentially lead to an Italian exit from the EU and the EUR. We doubt that it will come to this though, as EU opposition in Italy has fallen in recent months. Nevertheless, if the market looks to DKK as a safe haven from EUR woes, we expect Denmark's Nationalbank to cap EUR/DKK downside at around 7.4350 using FX intervention.

Key figures and events

Monday, November 28, 2016					Period	Danske Bank	Consensus	Previous
-	DEM	Retail sales	m/m y/y	Oct	.. 0.8%	1.0% 1.0%	-1.4% 0.4%	
8:00	NOK	Retail sales, s.a.	m/m	Oct	0.4%	0.4%	-0.3%	
9:00	DKK	CB's securities statistics		Oct				
9:00	DKK	Foreign portfolio investments		Oct				
9:30	SEK	Retail sales s.a.	m/m y/y	Oct	0.5% 1.0%	0.8% 2.0%	-0.6% 0.6%	
9:30	SEK	Trade balance	SEK bn	Oct			3.2	
10:00	EUR	Money supply (M3)	y/y	Oct	5.0%	5.0%	5.0%	
10:00	EUR	Loans to households (adj. for sales and sec.)	%	Oct				
10:00	EUR	Loans to NFCs (adj. for sales and sec.)	%	Oct				
14:10	EUR	ECB's Coeure speaks in Athens						
15:00	EUR	ECB's Draghi speaks in Brussels						

Source: Bloomberg, Danske Bank Markets

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