

Danske Daily

Market movers today

- The highlight of the calendar today is the **OPEC meeting** in Vienna. Since late September, OPEC has worked on a deal to limit or cut output to support oil prices. There is no prescheduled time for an announcement but it is likely to come late in the afternoon (CET).
- In the **US**, PCE inflation figures for October are due out. We estimate the PCE core index increased 0.1% m/m implying an unchanged core inflation rate of 1.7% y/y, although it is a close call between 1.7% y/y and 1.8% y/y. We estimate the headline index increased 0.3% m/m, implying a significant jump in the headline inflation rate to 1.5% y/y from 1.2% y/y in October, due mainly to base effects from lower energy prices. Fed FOMC members Powell (voter, neutral) and Mester (voter, hawkish) are due to speak today. In addition, the Fed will release its Beige Book.
- In the **euro** area, the main release is the HICP inflation figure for November. We expect the rising tendency for headline inflation to continue throughout 2016 supported by an energy price-inflation pickup, while core inflation is very likely to continue below 1% throughout 2016. Hence, we still believe the ECB will not conclude that inflation is on a sustainable path.
- In the **UK**, the GfK consumer confidence and Lloyds Business Barometer indicators, both for November, are due out. We think both indicators will stay around current levels, as there is no news to indicate they may have been pulled in either direction.
- Furthermore, the Bank of England is due to publish its Financial Stability Report. As financial markets have calmed since the EU vote, we do not expect any major news in the report.
- This morning, we published our bi-annual Big Picture including our new global macro-economic forecasts: *The Big Picture - Recovery, deflation and political uncertainties*, 30 November 2016.

Selected market news

Oil prices are volatile amid uncertain prospects for an OPEC deal. Yesterday, oil prices dropped back on comments from Iran that it will not cut output followed by comments from Saudi Arabia that it will only cut output if Iran and Iraq join a deal. OPEC deal or not, we do not think it will matter much for the oil market over the medium and long term. A deal may send the price on Brent crude temporarily towards the high end of the range of USD44-53/bbl it has traded in over the past months. No deal will push it towards the low end.

Asian equity markets are mixed this morning. Both China and Japanese indices are down but broader Asian markets are up, despite renewed increases in US treasury yields and a rebound in the USD. Metals extended declines, falling for the second day in a row. This is probably due to a correction after a strong run in the wake of Trump's win in the US presidential election.

Selected readings from Danske Bank

- *The Big Picture - Recovery, deflation and political uncertainties*

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Scandi markets

In **Denmark**, GDP figures for Q3 are due to be released on Wednesday. Statistics Denmark's initial indicator pointed to growth of 0.2% q/q and we estimate the detailed figures will show this was due mainly to stockbuilding. Wednesday also brings figures for property prices in September and unemployment in October.

In **Sweden**, the Riksbank's Martin Flodén is delivering a speech at a Financial Forum conference this morning (08:35-09:00) on current monetary policy and the economic situation.

Fixed income markets

The main event today is expected to be the speech by the ECB's Draghi as well as the flash estimate for eurozone inflation. We doubt that Draghi will confirm the story from yesterday, i.e. that the ECB is ready to step up purchases of Italian government bonds in case of a 'no' at the Italian referendum on Sunday. This story, combined with a strong Italian government bond auction with solid bid-to-covers, was supportive for BTIPS yesterday.

We expect stable headline EU inflation as well as core inflation at 0.8% and 0.6%. On top of this, we have PCE inflation from the US and again we expect a fairly stable inflation level. Finally, we have the second estimate for Portuguese GDP growth and this should confirm that growth is slowly coming back into the Portuguese economy. Portuguese government bonds are still struggling even though the 10Y spread to the core has tightened modestly.

FX markets

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The US PCE inflation data may also draw some attention today. Following the significant repricing of the US inflation curve and consequently the path of Federal Reserve rate hikes, the market is likely to start to look for a confirmation of this repricing in actual inflation data. Our forecast for PCE inflation today is in line with consensus, but we see some upside risk to this forecast, which may add to the current positive momentum in **USD**.

Key figures and events

Wednesday, November 30, 2016

				Period	Danske Bank	Consensus	Previous
0:50	JPY	Industrial production, preliminary	m/m y/y	Oct		0.1% -1.4%	0.6% 1.5%
1:01	GBP	GfK consumer confidence	Index	Nov	-3.0	-4.0	-3.0
8:00	NOK	Credit indicator (C2)	y/y	Oct		5.1%	5.1%
8:00	GBP	BoE's Financial Stability report					
8:45	FRF	HICP, preliminary	m/m y/y	Nov		-0.1% 0.6%	0.0% 0.5%
9:00	CHF	KOF leading indicator	Index	Nov		104.2	104.7
9:00	DKK	House prices	m/m y/y	Sep			
9:00	DKK	GDP, preliminary	q/q y/y	3rd quarter	0.2% ...	0.2% ...	0.4% ...
9:00	DKK	Gross unemployment s.a.	K (%)	Oct	... 4.1%	... 4.2%	111 4.2%
9:30	SEK	Wages (blue collars/white collars)	y/y	Sep			1.5%
9:55	DEM	Unemployment	%	Nov		6.0%	6.0%
10:00	NOK	Norges Bank's daily FX purchases	m	Dec		-900	-900
11:00	ITL	HICP, preliminary	m/m y/y	Nov		-0.2% 0.1%	0.2% -0.1%
11:00	EUR	HICP - core inflation, preliminary	y/y	Nov	0.8%	0.8%	0.8%
11:00	EUR	HICP inflation, preliminary	y/y	Nov	0.6%	0.6%	0.5%
12:00	EUR	Portugal, GDP, second estimate	q/q y/y	3rd quarter		0.8% 1.6%	0.8% 1.6%
13:30	EUR	ECB's Draghi speaks in Madrid					
14:00	USD	Fed's Kaplan (non-voter, dovish) speaks					
14:15	USD	ADP employment	1000	Nov		160	147
14:30	USD	PCE core	m/m y/y	Oct	0.1% 1.7%	0.1% 1.7%	0.1% 1.7%
14:30	USD	PCE headline	m/m y/y	Oct	0.3% 1.5%	0.3% 1.5%	0.2% 1.2%
14:30	USD	Personal spending	m/m	Oct		0.5%	0.5%
14:30	CAD	GDP	m/m y/y	Sep		0.1% 1.8%	0.2% 1.3%
15:45	USD	Chicago PMI	Index	Nov		52.0	50.6
16:00	USD	Pending home sales	m/m y/y	Oct		0.2% ...	1.5% 2.0%
16:30	USD	DOE U.S. crude oil inventories	K				-1255
17:45	USD	Fed's Powell (voter, neutral) speaks					
18:35	USD	Fed's Mester (voter, hawkish) speaks					
20:00	USD	Fed releases thier Beige Book					

Source: Bloomberg, Danske Bank Markets

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