

Danske Daily

Market movers today

- In the euro area, PMIs are released. Manufacturing PMI has been on a rising trend since August 2016, getting close to the post-financial crisis peak of 59.0 in February 2011. In October, we expect manufacturing PMI to remain around the current level of 58.1, as the stronger euro may have started to affect new export orders adversely. After four straight months of decline, services PMI recovered in September to 55.8 and we believe services PMI will increase further in October to 56.2. Overall, the high PMIs support our expectation of robust growth for H2 in the euro area.
- In the US, preliminary Markit PMIs for October are due. The service index shows that the service sector remains the main growth driver but we are puzzled about the large gap between ISM manufacturing and Markit PMI manufacturing and expect Markit PMI manufacturing to close the gap a little by increasing this month.
- In China, the Congress of the Communist Party ends today with the new Standing Committee (SC) of the Politburo being presented Wednesday morning. Early news reports suggest Xi Jinping is choosing a moderate path in setting the new Standing Committee. South China Morning Post reports that there will be members from different factions, which in our view will bode well for political stability in China. It still remains unclear whether Xi Jinping will choose a successor.

Selected market news

The Asian equity markets move modestly higher this morning despite a modest decline in US equities on Monday. The US equity markets are awaiting a string of earnings results as well as more news regarding the process on the US tax reform.

In the currency markets we have seen modest movements in the major crosses this morning while we wait for the ECB meeting on Thursday.

The US bond market also closed with modest movements. Here, the market is also awaiting the announcement from US President Trump about who is going to be the next Fed president as well as several members to the FOMC committee. The market is looking towards 'Fed-proof' trades such as a flatter US Treasury curve even though the curve is very flat already.

The Spanish government bond market has been fairly resilient to the recent escalation of the Catalan political crisis. Yesterday, Spanish 10Y government bond yields outperformed the core markets. The Catalan independent movement plans to make a 'human shield' in order to stop national authorities from taking over regional government buildings.

Selected readings from Danske Bank

- [ECB preview. Ready to scale back QE](#)
- [Scandi markets ahead. Policy meetings in Sweden and Norway](#)
- [FX essentials : sell volatility in Scandi crosses](#)

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Scandi markets

No major events or key economic data releases.

Fixed income markets

Trump said overnight that he is 'very, very close' regarding the Fed chair decision. The remaining candidates in the run-up are Powell, Taylor and Yellen. The announcement has the potential to be a market mover and could come any day now.

The main release today will be the euro area Flash PMIs. Mario Draghi used to be a 'PMI man'. Draghi's preferred growth indicator has been on a strong upward trend over the past year with manufacturing PMI hitting a new post-debt crisis in September at 58.1. The ECB will also release its Bank Lending Survey today, which contains important insights on both demand for loans but also indicators revealing how willing banks are when it comes to lending to corporates and households (transmission mechanism). In terms of market direction, the core FI market recovered a bit yesterday after Friday's sell-off. Once again, the rally was broad based with Germany rallying 2bp in the 10Y while Spain/Italy rallied 4bp.

In Sweden, Kommuninvest is set to introduce a new 7Y benchmark bond (Oct-24) today, (SE0010469205), which will become the longest benchmark bond issued in SEK by Kommuninvest, see *Strategy: Sweden - introduction of K2410*, 20 October 2017.

FX markets

Yesterday, we presented our new weekly FX publication *FX Essentials*, which provides our short-term views on FX markets. This week we stress the following views: we like to continue to play the 9.50-9.65 range in EUR/SEK but highlight risk to the top side. In EUR/NOK, we stress that clients should position for break higher going into year-end. We favour a bullish ratioed seagull to play the upside. The post-election rally in USD/JPY is likely to prove short-lived and we look for the cross to settle in the 111.50-114.10 range again. Clients should look to sell EUR/GBP on bounces above 0.8970 for a test of 0.8750 going into the Bank of England meeting on 2 November. Finally, EUR/USD is set to trade in tight ranges with a slight bearish bias into the ECB meeting.

Key figures and events

Tuesday, October 24, 2017

				Period	Danske Bank	Consensus	Previous
2:30	JPY	Nikkei Manufacturing PMI, preliminary	Index	Oct			52.9
8:45	FRF	Business confidence	Index	Oct		109.0	109.0
9:00	FRF	PMI manufacturing, preliminary	Index	Oct		55.8	56.1
9:00	FRF	PMI services, preliminary	Index	Oct		56.8	57.0
9:30	DEM	PMI manufacturing, preliminary	Index	Oct		60.0	60.6
9:30	DEM	PMI services, preliminary	Index	Oct		55.6	55.6
10:00	EUR	PMI manufacturing, preliminary	Index	Oct	58.1	57.7	58.1
10:00	EUR	PMI composite, preliminary	Index	Oct		56.5	56.7
10:00	EUR	PMI services, preliminary	Index	Oct	56.2	55.8	55.8
14:00	HUF	Central Bank of Hungary rate decision	%		0.9%	0.9%	0.9%
15:45	USD	Markit PMI manufacturing, preliminary	Index	Oct	53.5	53.0	53.1
15:45	USD	Markit PMI service, preliminary	Index	Oct	55.3	55.0	55.3

Source: Bloomberg, Danske Bank

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