

Danske Daily

Market Movers

- It still does not look like a deal between **Greece** and the three creditor institutions is near. It now appears that the Eurogroup meeting on 18 June is regarded as a deadline for an agreement. No specific meetings planned today. Comments suggest that the ball is now in Greece's court and that it will have to come up with a credible and detailed proposal before the negotiations can move ahead.
- In the data calendar the main release in the **euro area** is **industrial production** for April. The data released for individual countries have been mixed with German industrial production stronger than expected and France and Italy weaker. Overall the data suggest that industrial production will rebound 0.3% m/m in April after it declined 0.3% m/m in the previous month.
- In the **US** the June preliminary **University of Michigan consumer confidence** will give us additional information on the health of the US consumer after yesterday's strong retail sales report. We expect a small increase to 91.0 following the fall in May, as increasing gasoline prices have moderated in June and it is likely the labour market has continued to improve. May **producer prices** are also due for release today.
- *For more on Scandi markets see page 2.*

Selected Market News

Yesterday the International Monetary Fund (IMF) left the **Greece negotiations** in Brussels without any results and according to IMF spokesman Rice with no progress in key areas. Also, European Union President **Donald Tusk** stepped up the rhetoric accusing Greek officials of gambling with the future of Greece stating: *'There is no more space for gambling, there is no more time for gambling. The day is coming I am afraid that someone says the game is over'*. The developments mark one of the clearest warnings to Athens in recent months, highlighting an increased worry that if a deal is struck too late there will not be enough time to pass the legislation to Athens before a large IMF payment and bond redemption are due (30 June and 20 July, respectively).

The oil price dropped on the International Energy Agency's (IEA) June Oil Market Report stating that the oil price rally is threatened by record production levels from OPEC. On the supply/demand outlook the report was relatively balanced. Global demand estimates were revised higher by 0.3mb/d, while the global supply projection was raised 0.2mb/d.

US retail sales rebounded strongly in May, adding to the recent signs that US consumption will pick up in Q2 after a very weak start to the year. **Jobless claims** also showed a continued improvement in the labour market with a weekly release below 300,000 for the 14th time in a row. The releases supported the **USD index** which ended higher for the first time in four days. **US Treasuries** also rose aided by a rally in Bunds.

In **Japan** the final industrial production figure for April was revised higher to 1.2% m/m.

Market overview

	07:30	1 day +/- %	
S&P500 (close)	2108.9	↑ 0.17	
S&P500 fut (chng from close)	2097.4	↓ -0.19	
Nikkei	20335.8	↓ -0.23	
Hang Seng	27084.3	↑ 0.66	
	17:00	07:30	+/- bp
US 2y gov	0.73	0.71	↓ -2.8
US 10y gov	2.44	2.36	↓ -7.2
iTraxx Europe (IG)	67	67	↑ 0.4
iTraxx Xover (Non IG)	299	301	↑ 1.7
			+/- %
EUR/USD	1.125	1.123	↓ -0.19
USD/JPY	123.660	123.440	↓ -0.18
EUR/CHF	1.05	1.05	↓ -0.27
EUR/GBP	0.725	0.724	↓ -0.10
EUR/SEK	9.249	9.245	↓ -0.04
EUR/NOK	8.81	8.84	↑ 0.26
			USD
Oil Brent, USD	64.6	64.9	↑ 0.36
Gold, USD	1178.4	1183.4	↑ 0.42

Note:

*The iTraxx Europe Index shows the spread development for the most liquid investment grade CDS contracts in the euro credit market.

**The iTraxx Europe Crossover show the spread development of the most liquid non-investment grade CDS contracts in the euro credit market.

***The Markit CDX North America Investment Grade Index shows the spread development for the most liquid investment grade CDS contracts in the US credit market.

Source: Bloomberg

Selected readings from Danske Bank

- *US: Strong retail sales show US consumer still alive*, 11 June 2015
- *Comment: Prospera survey*, 10 June 2015

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Scandi Markets

In **Norway**, the important oil investment survey for May is due today. This will include the oil companies' first estimate of investment levels for 2016 and so provide important information about how deep and how long the downturn in oil-related industries will be. We cautiously predict they will estimate a decrease in investment in the Norwegian sector of around 5% in 2016. We expect the estimate for 2015 to be more or less unchanged from the previous survey in February, still suggesting a fall of close to 15% this year. There is no consensus forecast for the investment survey, so it is hard to gauge what expectations are, but we have a sense that the market both expects and fears that the figures will be much worse. It is important to stress that even if our prediction holds, this would by no means prevent a rate cut in June – the figures would have to be much better for that.

Fixed Income Markets

Yesterday, we saw support to **global government bond markets** as US retail sales came in in line with expectations and as initial optimism regarding Greece reaching a deal fuelled renewed appetite among investors for duration both in Bunds and in peripheral markets. It was also supportive that the market was able to absorb the heavy bond issuance that came to the market yesterday. *Note that the IMF's decision to leave the talks with Greece last night might dent sentiment today.*

However, the sudden turnaround in global bond markets probably also reflects that 10-year Bund yields at 1% and 10-year US note yields at 2.5% are levels that attract buyers in a situation where global monetary policy is still very expansive and growth and inflation prospects are still modest.

Moody's has Italy up for review today. Moody's has a Baa2 rating and stable outlook for Italy. In February Moody's highlighted the high debt to GDP and the low economic growth. Even though economic growth has improved slightly in Italy since February we do not expect an upgrade at this stage, but a positive outlook could be in the cards.

After heavy European government bond issuance yesterday the EGB issuance calendar is empty today.

FX Markets

USD gained yesterday on the strong US retail sales data supporting our view that the US economy will recover in the coming quarters. As such, EUR/USD is currently caught between a weak global risk appetite and a brighter outlook for the US economy. However, while the short-term outlook is rather cloudy, stronger US data will eventually win the battle for the USD, paving the way for a lower EUR/USD as a Fed rate hike becomes more evident. We call for a small increase to 91.0 in the Michigan consumer confidence and thus yet another improvement in US data, which might result in a lower EUR/USD before the weekend.

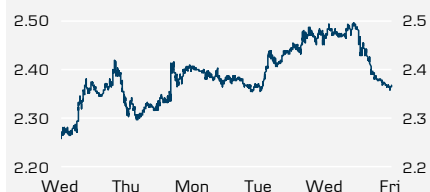
In the Scandi FX space, EUR/SEK dropped sharply yesterday on the back of higher-than-expected Swedish inflation data. Taking into account the tendencies in the Prospera inflation survey released earlier this week, we now expect the Riksbank to keep rates unchanged at the July meeting and expect the Riksbank to cut in December instead. We expect EUR/SEK to continue to trade within a relative wide range of 9.20 to 9.40 in the coming months targeting 9.20 in the very short term. As long as the cross stays within range, the Riksbank should be fine in our view. However, one should not rule out the possibility of a policy response if EUR/SEK drops below 9.10 within the coming weeks.

US S&P500 future



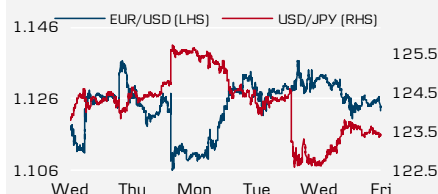
Source: Danske Bank Markets

US 10y gov yield



Source: Danske Bank Markets

Global FX



Source: Danske Bank Markets

Scandi FX



Source: Danske Bank Markets

EUR/NOK could fare lower today on the oil investment survey where it is our sense that the market both expects and fears that the figures will be much worse than our estimates (-5% in 2016 and -15% in 2015).

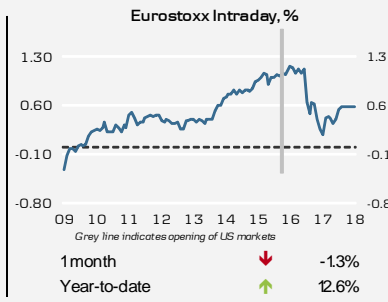
Key figures and events

Friday, June 12, 2015			Period	Danske Bank	Consensus	Previous
-	EUR	Moody's may publish Italy's debt rating				
-	EUR	Fitch may publish EFSF's debt rating				
-	EUR	Fitch may publish ESM's debt rating				
-	EUR	Fitch may publish France's debt rating				
9:00	ESP	HICP, final	m/m/y/y	May	0.4% -0.3%	0.4% -0.3%
10:30	GBP	Construction output	m/m/y/y	Apr	-1.5% -1.1%	3.9% 1.6%
11:00	EUR	Industrial production	m/m/y/y	Apr	0.5% ...	0.4% 1.1%
14:30	USD	PPI	m/m/y/y	May		-0.4% -1.3%
14:30	USD	PPI core	m/m/y/y	May		0.1% ...
16:00	USD	University of Michigan Confidence, preliminary	Index	Jun	91.0	91.5
						90.7

Source: Bloomberg, Danske Bank Markets

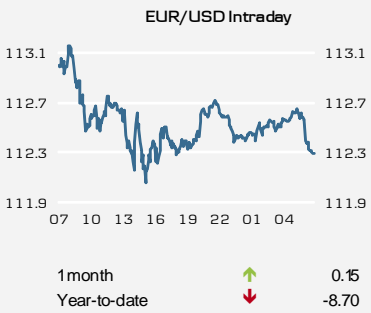
Today's market data: 12 June 2015

STOCKS



	Close	+/-
DJSTOXX50	3383	↑ 0.6%
OMXC20	979	↑ 0.4%
OMXS30	1605	↓ -0.3%
OSE BX	646	↑ 0.4%
	Close	+/-
DOW JONES	18039	↑ 0.2%
NASDAQ	5083	↑ 0.1%
S&P500	2109	↑ 0.2%
NIKKEI (07:30)	20336	↑ 0.6%

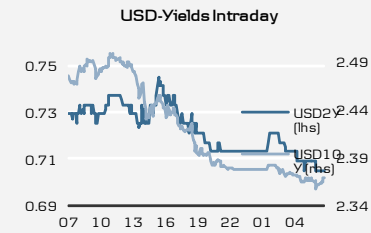
FX & COMMODITIES



EUR	17:00	07:30	+/-
USD	112.49	112.28	↓ -0.21
JPY	139.11	138.60	↓ -0.51
GBP	72.48	72.41	↓ -0.07
NOK	881.44	883.72	↑ 2.28
SEK	924.86	924.46	↓ -0.40
DKK	745.90	745.90	↑ 0.00
PLN	413.97	413.30	↓ -0.67
USD	17:00	07:30	+/-
JPY	123.66	123.44	↓ -0.22
GBP	155.20	155.07	↓ -0.13
CHF	93.49	93.40	↓ -0.09

	07:30	Oil, Brent, \$
Gold, \$	1183.36	64.86
1day	↑	↓ -0.25
1month	↓	↓ -2.00
Year-t-date	↓	↑ 7.53
	07:30	CRB, Raw Industrials
CRB 1M future	225.31	468.90
1day	↓	↓ -2.44
1month	↓	↓ -5.07
Year-t-date	↓	↓ -23.21

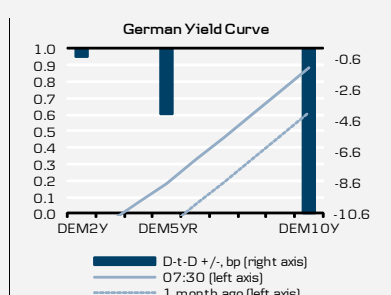
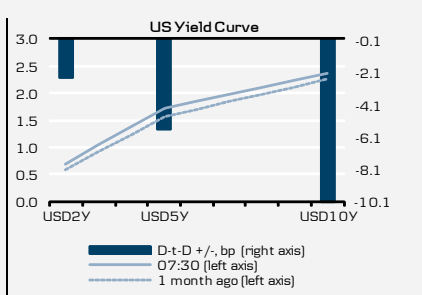
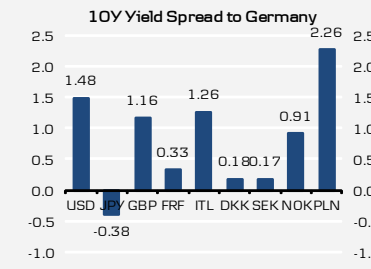
YIELDS & INTEREST RATES



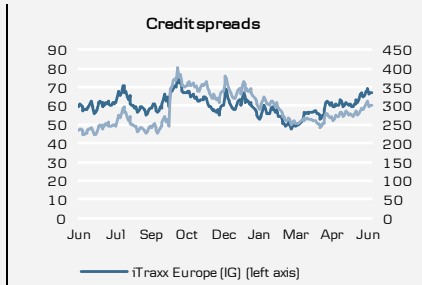
	Policy Rate	3M	Spread, bp
USD	0.25	0.29	4
EUR	0.05	-0.01	-6
GBP	0.50	0.57	7
DKK	0.05	-0.19	-24
SEK	-0.25	-0.24	1
NOK	1.25	1.36	11
PLN	1.50	1.60	10

	17:00	07:30	+/-, bp
USD 10Y	2.44	2.36	↓ -7
USD 30Y	3.16	3.08	↓ -7
JPY 10Y	0.54	0.50	↓ -4
	07:30(-1)*	17:00	+/-, bp
DEM 10Y	0.99	0.89	↓ -10
DKK 10Y	1.18	1.07	↓ -11
SEK 10Y	1.04	1.07	↑ 3
NOK 10Y	1.79	1.79	↑ 0
PLN 10Y	3.21	3.15	↓ -6

* As of closing previous trading day



	07:30	1 day	1 month
Europe (IG)	67	↑ 0	↑ 6
HiVol	62	↑ 0	↑ 0
Xover (N-IG)	301	↑ 0	↑ 13
Finan. Sr.	78	↑ 0	↑ 2
Finan. Sub.	160	↓ 0	↑ 2
Non-finan.			



	17:00	07:30	+/-
USD 10Y			
JPY 10Y	8	8	↑ 1
	07:30(-1)*	17:00	+/-
EUR 10Y	0	18	↑ 18
DKK 10Y	31	31	↑ 0
SEK 10Y	49	47	↓ -2
NOK 10Y	55	58	↑ 3

* As of closing previous trading day

** Ask price

* Ask price

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First date of publication

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