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Danske Daily

Summer edition

Market Movers

- Progress in **Greece** towards passing the legislation needed to start the formal ESM negotiations through the Greek parliament – deadline is Wednesday midnight.
- **US retail sales for June** will be released today. Minutes of the June FOMC meeting showed the Fed's concern that US consumers have permanently shifted their savings rate higher. Today's data will give some clarification on this. We expect retail sales to increase 0.2% m/m due to weak auto sales and the core measure ex autos, gasoline and building materials to increase 0.3% m/m.
- We expect the **German ZEW** to surprise to the upside as we look for a rebound in both the expectations index and the current situation after the declines in recent months. We estimate that **euro area industrial production** increased 0.2% m/m in May in line with consensus.

Selected Market News

- Yesterday's Greek deal was welcomed with a broad-based 'risk-on' move across asset classes. Equities in both Europe and the US were up on the day and the initial reaction in European bond markets was spread tightening in the periphery. However, this was later reversed leaving both periphery spreads and German rates close to Friday's levels. With Grexit risks now significantly lower and Fed focus back on domestic economic developments, US rates ended the day moderately (2-3bp) higher. The positive sentiment in equity markets has continued overnight in Asian trading.
- EUR/USD initially moved higher but quickly reversed and EUR/USD is now trading below its Friday levels. In our view, this reversal is mainly due to two factors: 1) a Greek deal was highly anticipated last week and 2) there is still uncertainty regarding the details of the deal. Further out, increased expectations of Fed rate hikes in 2015 as Greek uncertainty fades should trigger a new fall in EUR/USD in coming months (see *FX Strategy: IF Grexit, THEN sell EUR/USD, ELSE sell EUR/USD*).
- The oil price has moved lower as markets continue to expect a deal being reached in Iran. There are unconfirmed media reports that a deal is being finalised this morning but at the time of writing nothing has been presented.

Scandi Markets

- Swedish June inflation is on the agenda today. We expect CPIF to be in line with Riksbank's forecast (0.7% y/y), which is a 10th below market expectations. That said, there is probably an upside to our call judging from the outcome in Norway and Denmark (primarily food and airline tickets). Against the background of Riksbank's recent surprise repo cut/QE expansion and the fact that the market is pricing an additional 4bp rate cut up to November, a significant deviation is probably needed to move the market.

Selected readings from Danske Bank

- *Grexit - what if? Greece kept on a short leash*
- *China's Equities Collapse: Economic, Commodities and FX impact*

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Key figures and events

Tuesday, July 14, 2015				Period	Danske Bank	Consensus	Previous
8:00	DEM	HICP, final	m/m/y/y	Jun	... 0.1%		-0.2% 0.1%
9:00	ESP	HICP, final	m/m/y/y	Jun	... 0.0%		0.2% 0.0%
9:00	EUR	Ordinary Ecofin meeting in Brussels					
9:30	SEK	CPI	m/m/y/y	Jun	-0.2% -0.4%	-0.2% -0.3%	0.3% 0.1%
9:30	SEK	Underlying inflation CPIF	m/m/y/y	Jun	-0.1% 0.7%	-0.1% 0.7%	0.4% 1.0%
10:00	ITL	HICP, final	m/m/y/y	Jun	... 0.2%		... 0.2%
10:30	GBP	PPI - input	m/m/y/y	Jun		-0.7% -11.8%	-0.9% -12.0%
10:30	GBP	PPI - output	m/m/y/y	Jun		0.1% -1.4%	0.1% -1.6%
10:30	GBP	CPI	m/m/y/y	Jun		0.1% 0.1%	0.2% 0.1%
11:00	DEM	ZEW current situation	Index	Jul	64.5		62.9
11:00	DEM	ZEW expectations	Index	Jul	34.0		31.5
11:00	EUR	Industrial production	m/m/y/y	May	0.2% ..		0.1% 0.8%
14:30	USD	Retail Sales Control Group	m/m	Jun	0.3%	0.4%	0.7%
14:30	USD	Retail sales less autos	m/m	Jun	0.5%	0.6%	1.0%
14:30	USD	Retail sales less autos and gas	m/m	Jun	0.3%	0.5%	0.7%
14:30	USD	Import prices	m/m/y/y	Jun		0.2%	1.3% -9.6%
14:30	USD	Retail Sales	m/m	Jun	0.2%	0.3%	1.2%
15:00	USD	NFIB small business optimism	Index	Jun		98.5	98.3

Source: Bloomberg, Danske Bank Markets

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