

# Danske Daily

## Key news

- Greek plan for debt reduction lifted sentiment in Europe yesterday, despite several unresolved challenges.
- US equities were dragged down by concerns over the looming US fiscal cliff.
- US Treasuries saw sustained demand and were also supported by a strong auction.
- In the FX market JPY gained the upper hand while SEK suffered.

## Markets Overnight

**Despite unresolved challenges, Greek plan buys time, lifts sentiment in Europe.** In terms of debt-reduction, the plan seems to fall slightly short of the 124% target to be achieved by 2020 and the lack of details on the debt buyback programme adds further uncertainty. Secondly, the plan relies on a positive economic outlook, whereby Greece would return to growth within two years. Nonetheless, the deal buys time, opening up for EUR43.7bn of disbursements and German Finance Minister Schäuble acknowledged on Tuesday that further measures could be taken once Greece achieves primary surplus. Importantly, according to EU officials, this is unlikely to be achieved before 2014, thus effectively pushing further debt relief to after the German elections (see *Financial Times*).

### Fiscal cliff concerns set the direction for US stocks, defying stronger economic data.

The US bourses opened lower and concerns over gridlocked budget negotiations set the tone for the day. There were some signs of compromise, with a few Republicans publicly disavowing a no-new-taxes pledge, while Democrats signalled some willingness to reform Medicare and Medicaid (see *Reuters* for an update). However, late in the session, comments from Senate Democratic Leader Reid that there had been 'little progress' in dealing with the fiscal cliff and that discussions needed to move away from 'happy talk' to 'specific things' weighed on sentiment and the S&P500 index closed 0.5% lower. Before Reid's comments, a slate of strong US economic data had offset worries. First, durable goods orders held steady, defying expectations of a 0.7% decline in October. Then data showed house prices rising for a sixth consecutive month, with the S&P/Case-Shiller index rising a seasonally adjusted 0.3 percent in September. Finally, data showed consumer confidence rising to the highest level in more than four years, despite the lingering fiscal cliff concerns.

**US Treasuries gained support from weak sentiment and strong auction.** Fiscal cliff concerns seemed the dominant factor driving market action, though strong demand at yesterday's two-year auction also supported the front-end. The USD35bn issue was awarded at 0.27%.

**In the FX market, JPY gained the upper hand,** sending USD/JPY below the 82 handle. However, relatively to the remaining G10 currency universe, the greenback also received support and EUR/USD has fallen towards 1.29. Overall, SEK has been the worst-performing currency since yesterday, which is partly due to weaker risk sentiment and partly due to yesterday's weak Swedish economic data (e.g. consumer confidence).

## Market movers today:

- SEK: Current account (09:30 CET)
- EUR: M3 money supply (10:00 CET)
- USD: New home sales (16:00 CET)
- USD: Fed's Beige Book (20:00 CET)

## Market overview

	07:30	1 day +/-, %	
S&P500 (close)	1398.9	↓	-0.52
S&P500 fut (chg from close)	1396.0	↓	-0.10
Nikkei	9318.5	↓	-1.11
Hang Seng	21676.8	↓	-0.77
	17:00	07:30	+/-, bp
US 2y gov	0.27	0.26	↓ -0.5
US 10y gov	1.65	1.63	↓ -2.1
iTraxx Europe (IG)	123	124	↑ 0.9
iTraxx Xover (Non IG)	499	502	↑ 2.5
			+/-, %
EUR/USD	1.293	1.292	↓ -0.13
USD/JPY	82.230	81.770	↓ -0.56
EUR/CHF	1.20	1.20	↓ -0.06
EUR/GBP	0.807	0.807	↑ 0.04
EUR/SEK	8.645	8.661	↑ 0.19
EUR/NOK	7.36	7.36	↑ 0.00
Oil Brent, USD	109.6	110.1	↑ 0.42
Gold, USD	1745.5	1738.5	↓ -0.40

Note:

\* The iTraxx Europe Index show 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.

Source: Bloomberg

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## Global Daily

**Focus today.** Data on monetary developments in the euro area will be watched closely (by some Germans) for early signs of inflation caused by (too) expansionary monetary policies. So far however, inflation does not seem to be a problem. November's flash CPI for Germany released today is likely to show a decline in consumer prices m/m and total euro area CPI released Friday should come further down towards the ECB's target level of close to but below 2% y/y. In the US we will get further data on the housing market as new home sales are released this afternoon. We expect sales to follow the improvement in the NAHB housing index, which jumped five points last week. In the evening Fed will release its regional Beige Book economic survey.

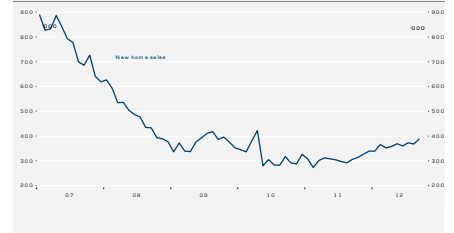
**Fixed income markets.** US Treasuries and German Bunds have seen upward pressure despite the announcement of the new Greek bailout deal and the better-than-expected US data causing the bearish momentum seen since last week to fade. The US markets face fiscal uncertainty and month-end extensions and we therefore see a good chance of lower yields in core markets in the coming days. Meanwhile, in Europe peripherals perform strongly and the spread compression to core markets continues. Today Germany sells EUR5bn Bobl, 0.50% Oct-17.

**FX markets.** Now that the Greek debt issues have been solved - at least for a while - focus has returned to the fiscal cliff negotiations and both USD and JPY have been in demand. Considering the stretched positioning in not least USD/JPY, the risk of further downside for USD/JPY and EUR/JPY is evident today. For more on positioning see the IMM update that we published yesterday. SEK came under pressure yesterday after some dismal NIER survey data and as lending data showed stable lending growth. Hence, lending growth should not be an impediment for the Riksbank to cut rates. We could see SEK under further pressure today but remember we have a very strong call for tomorrow's GDP release. Hence, it is a bit too early to fully position for a December rate cut in Sweden. Better entry levels might be available tomorrow. Note that the Riksbank will publish its Financial Stability Report, which might give new insight into how the Riksbank looks at household debt growth.

## Scandi Daily

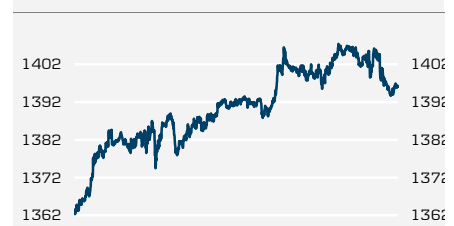
The **Swedish** Riksbank will release this year's second Financial Stability Report outlining its views on stability risks in various sectors including banks and households. Considering the fact that the Riksbank has expressed considerable concern of late regarding household debt and stretched house prices, the report is likely to be monitored very closely. The Swedish central bank must decide how to assess policy implications from high household debt (some 170% of income) - a factor speaking against further policy easing - against a large number of macro indicators suggesting worsening growth conditions and higher unemployment.

### Improving trend in US housing market data expected to continue



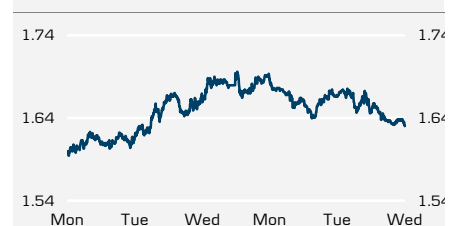
Source: Reuters EcoWin

### US S&P500 future



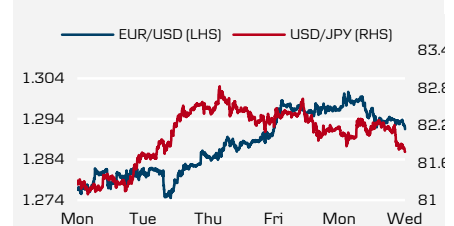
Source: Danske Bank Markets

### US 10y gov yield



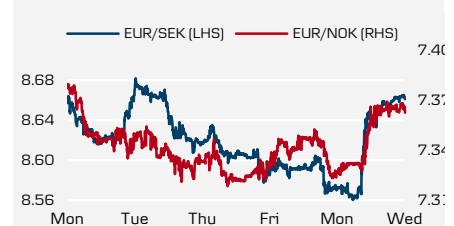
Source: Danske Bank Markets

### Global FX



Source: Danske Bank Markets

### Scandi FX



Source: Danske Bank Markets

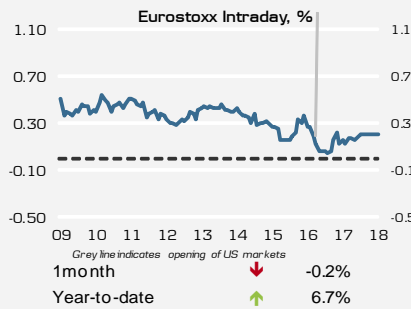
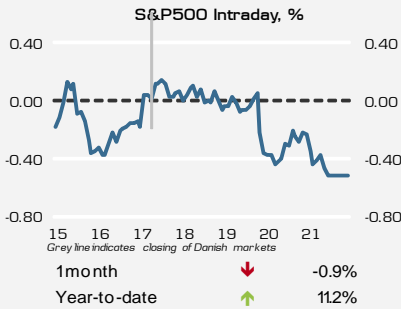
### Key figures and events

Wednesday, November 28, 2012		Period	Danske Bank	Consensus	Previous
-	USD	Fed's Evans (non-voter, dove) speaks			
9:30	SEK	Current Account			55.2
9:30	SEK	Riksbanken publishes Financial Stability Report, holds press conference			
10:00	EUR	M3 money supply			
11:15	EUR	ECB announces allotment in 3-month (LTRO)			
13:00	USD	MBA Mortgage Applications			-2.2%
14:00	DEM	HICP, preliminary			
16:00	USD	New home sales			0.1% 2.1%
20:00	USD	Fed's Beige Book			
			2.8%	2.8%	2.7%
				-0.1% 2.0%	0.1% 2.1%
			397	386	389

Source: Bloomberg, Danske Bank Markets

Today's market data: 28 November 2012

STOCKS



	Close	+/-
DJSTOXX50	2528	↑ 0.2%
OMXC20	489	↑ 0.3%
OMXS30	1072	↑ 0.3%
OSE BX	441	↑ 0.2%
<b>DOW JONES</b>		
	12878	↓ -0.7%
NASDAQ	2968	↓ -0.3%
S&P 500	1399	↓ -0.5%
NIKKEI (07:30)	9318	↑ 0.2%

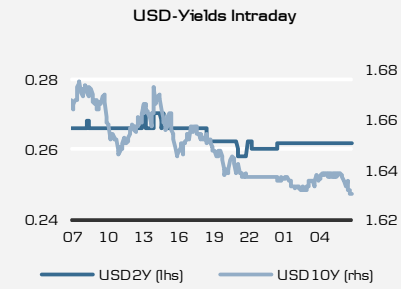
FX & COMMODITIES



	17:00	07:30	+/-
<b>EUR</b>			
USD	129.33	129.16	↓ -0.17
JPY	106.34	105.62	↓ -0.72
GBP	80.70	80.73	↑ 0.03
NOK	736.23	736.23	↑ 0.00
SEK	864.50	866.12	↑ 1.62
DKK	745.84	745.82	↓ -0.02
PLN	409.66	410.11	↑ 0.45
<b>USD</b>			
JPY	82.23	81.77	↓ -0.46
GBP	160.26	159.99	↓ -0.27
CHF	93.13	93.19	↑ 0.06

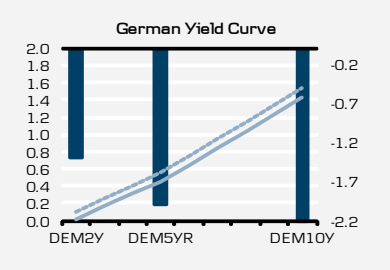
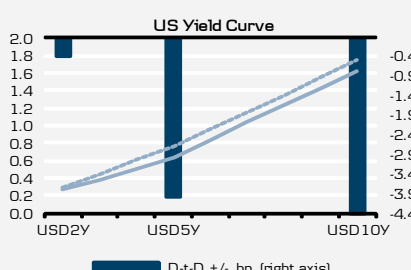
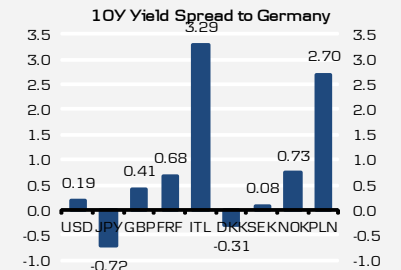
	07:30	+/-
<b>Gold, \$</b>	1738.50	10.08
1day	↓ -3.65	↑ 0.21
1month	↑ 27.20	↑ 0.53
Year-t-date	↑ 174.80	↑ 2.70
<b>Oil, Brent, \$</b>		
1day	↓ -0.36	↑ 0.21
1month	↑ 27.20	↑ 0.53
Year-t-date	↑ 174.80	↑ 2.70
<b>CRB, Raw Industrials</b>		
07:30	297.77	510.43
1day	↑ 0.03	↑ 199
1month	↑ 0.93	↑ 8.01
Year-t-date	↓ -7.53	↓ -6.41

YIELDS & INTEREST RATES

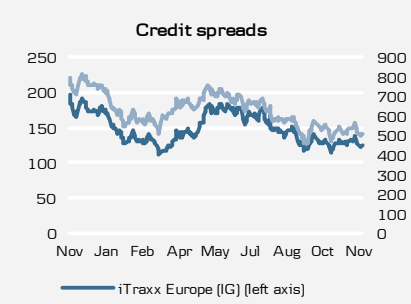


	Policy Rate	3M	Spread, bp
USD	0.25	0.31	6
EUR	0.75	0.19	-56
GBP	0.50	0.52	2
DKK	0.20	0.27	7
SEK	1.25	1.45	20
NOK	1.50	1.93	43
PLN	4.50	4.44	-6

	17:00	07:30	+/-, bp
USD 10Y	1.65	1.63	↓ -2
USD 30Y	2.79	2.78	↓ -1
JPY 10Y	0.73	0.72	↓ -1
<b>As of closing previous trading day</b>			
	07:30(-1)*	17:00	+/-, bp
DEM 10Y	1.46	1.43	↓ -3
DKK 10Y	1.13	1.13	↑ 0
SEK 10Y	1.50	1.52	↑ 2
NOK 10Y	2.17	2.17	↑ 0
PLN 10Y	4.19	4.14	↓ -5



	07:30	1day	1month
<b>Credit spread, iTraxx s. 11*</b>			
Europe (IG)	124	↓ -2	↓ -9
HiVol	191	↓ -4	↓ -15
Xover (N-IG)	502	↓ -8	↓ -44
Finan. Sr.	164	↓ -3	↓ -21
Finan. Sub.	286	↓ -5	↓ -34
Non-finan.	101	↓ -1	↓ -6



	17:00	07:30	+/-
<b>Swap Spread, bp**</b>			
USD 10Y	3	3	↓ 0
JPY 10Y	3	3	↑ 1
<b>As of closing previous trading day</b>			
	07:30(-1)*	17:00	+/-
EUR 10Y	32	30	↓ -2
DKK 10Y	74	71	↓ -2
SEK 10Y	60	58	↓ -2
NOK 10Y			

\* Ask price

\*\* Ask price

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