

Danske Daily

Key news

- FOMC statement shows no change in asset purchases or rate guidance.
- Jens Weidmann criticises current euro crisis framework.
- Reserve Bank of New Zealand keeps rates unchanged.

Markets Overnight

The FOMC statement was very much in line with the December statement. There was no change in asset purchases or rate guidance. The new voting member, Esther George, dissented (she is hawkish). Fed's assessment of the recent economic developments was a bit more downbeat than in December but the economic weakness is expected to be transitory. The dovish statement should dampen the upward pressure on treasury yields currently in place. For further details see *FOMC: Easing bias remains in place*, 30 January.

German Bundesbank president Jens Weidmann yesterday evening in Berlin criticised the current crisis framework, saying that 'if things stay the way they are, the consequences of unsound [national] policies will be too easily passed on to others'. He argued that risk sharing measures have already reached a substantial level and that 'if these risks rise, the culture of stability could be eroded as if we had explicit joint liability'. He argued that bailouts can accompany structural reform and soften the blow but they cannot replace it.

Reserve Bank of New Zealand kept rates unchanged but warned about increased house price inflation, which is seen as a sign that the next rate move is up. Central Bank Governor Wheeler said that 'we expect economic growth to strengthen over the coming year, reducing spare capacity and bringing inflation slowly back towards the 2% target midpoint'.

Japan's industrial production rose 2.5% m/m in December, which was well below consensus expectations. The weakening yen is expected to lift production with a lag.

The US **equity markets** traded in negative territory throughout most of the session as sentiment had soured from the start after the disappointing US GDP figures showed a 0.1% q/q decline in the fourth quarter. S&P 500, Dow Jones and Nasdaq all lost 0.3-0.4%. The negative sentiment continued in the Asian session with the Nikkei index down 0.7%, while Hang Seng has lost 0.5%.

US bond yields closed slightly lower with both 2-year and 10-year yields falling about a basis point. Japan's 5-year yield fell 1.5bp to 0.14%, which is the lowest on record.

In the **FX markets** EUR/USD strengthened to a 14-month high yesterday as EUR strengthened on European Commission confidence data that came out better than expected, while the FED announcement weakened USD. Throughout the night EUR/USD has traded around 1.3570.

Market movers today:

- German unemployment rate
- German inflation
- Chicago PMI

Market overview

	07:30	1 day +/-, %
S&P500 (close)	1502.0	↓ -0.39
S&P500 fut (chng from close)	1494.9	↓ -0.03
Nikkei	11138.7	↑ 0.22
Hang Seng	23736.5	↓ -0.36
	17:00	07:30 +/-, bp
US 2y gov	0.27	0.27 ↓ -0.8
US 10y gov	2.03	1.98 ↓ -4.5
iTraxx Europe (IG)	111	111 ↑ 0.1
iTraxx Xover (Non IG)	439	440 ↑ 1.4
		+/-, %
EUR/USD	1.358	1.358 ↑ 0.01
USD/JPY	91.120	90.970 ↓ -0.16
EUR/CHF	1.24	1.23 ↓ -0.34
EUR/GBP	0.860	0.858 ↓ -0.17
EUR/SEK	8.615	8.611 ↓ -0.05
EUR/NOK	7.44	7.43 ↓ -0.12
		USD
Oil Brent, USD	114.9	115.1 ↑ 0.25
Gold, USD	1680.5	1680.6 ↑ 0.00

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

Senior Economist

Frank Øland
+45 45 12 85 26
franh@danskebank.dk

Global Daily

Focus today. German unemployment may have declined slightly in terms of the number of unemployed for the first time in 10 months but we do expect the German unemployment rate to remain unchanged at 6.9%. German preliminary headline inflation will probably remain unchanged at 2.0%. Remember that we do not get details today. In the US session Chicago PMI will give an indication as to what extent the fourth quarter softness has continued into this year. Initial jobless claims are also due today as we warm up for tomorrow's non-farm payroll.

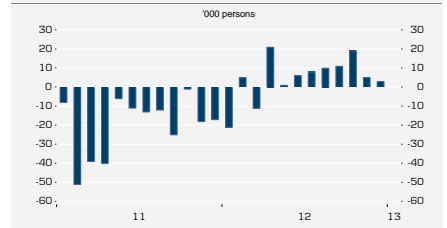
Fixed income markets. Last night the first EONIA fixing settled following the LTRO repayments last week. The overnight fixing increased 0.7bp to 8.1bp, which was probably in the lower end but not far from expectations. Given the latest re-pricing of the European money markets, we believe the fixings are priced to rise too fast during the next quarters, while the pricing of the fixings for 2014 is probably more fair. The FOMC announcement offered little change and no real surprises. This was viewed as slightly dovish by the markets and US rates fell a few basis points while the 10-year yields failed to stay above 2.00% into the close. The selling pressure has been strong recently and the markets are trying to test if yields can break into higher ranges. However, given the latest batch of weaker US data, the risk of a near-term minor correction downwards in yields is increasing. There is no bond supply today.

In the **FX markets** there was only limited reaction to the FOMC statement, which was more or less as expected. It appears unlikely that a scale down of Fed's QE programme is imminent and thus monetary actions from the two major central banks still point towards a higher EUR/USD. EUR/USD maintained most of its gains from yesterday, where it broke above 1.35 and temporarily reached 1.3587, the highest level since November 2011. This morning EUR/USD is trading around the 1.3580 levels. Overnight RBNZ kept rates unchanged as expected but NZD got some tailwinds as RBNZ Governor Graeme Wheeler caught the market by surprise with a far less dovish statement than expected. Wheeler said that recent data suggest that GDP is recovering while inflation remains below RBNZ's target range, mainly due to the impact of the overvalued NZD. Furthermore, Wheeler expressed concern about house price inflation and said that 'the Bank does not want to see financial stability or inflation risks accentuated by housing demand getting too far ahead of supply'. NZD/USD rose 0.7% to 0.8360 after the announcement, while AUD/NZD dropped to 1.2450. This morning AUD remains under pressure and AUD/NZD continues to decline as low risk sentiment weighs on AUD.

Scandi Daily

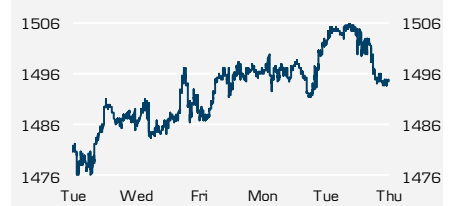
The biggest disappointment in **Norway** last year was private consumption and reports on Christmas trading do not suggest that spending growth picked up in December. For the first time since 1987, shopping centres are actually reporting a drop in Christmas trading. We nevertheless expect retail sales to climb 0.5% m/m (consensus: +0.1 %) in December, due to trading outside the shopping centres, such as in sports warehouses and specialist stores. From a stability perspective it will also be interesting to see whether credit growth continues to accelerate despite banks reporting tighter credit standards. If it does, this will put pressure on the politicians to make the recommended changes to the capital adequacy rules. We expect Norges Bank to purchase FX equivalent to NOK300m per day in February for the Government Pension Fund, the same as in January.

Increase in German unemployment



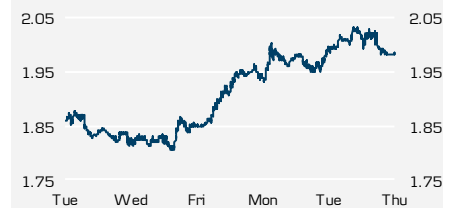
Source: Reuters EcoWin

US S&P500 future



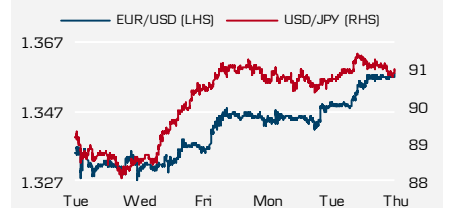
Source: Danske Bank Markets

US 10y gov yield



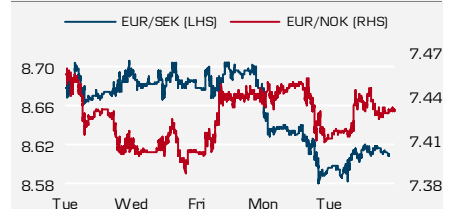
Source: Danske Bank Markets

Global FX



Source: Danske Bank Markets

Scandi FX



Source: Danske Bank Markets

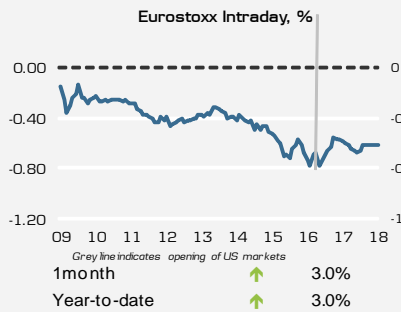
Key figures and events

8:45	FRF	Household consumption	m/m/y/y	Dec		0.0% 0.1%	0.2% -0.2%
9:00	ESP	HICP, preliminary	y/y	Jan		3.1%	3.0%
9:00	DKK	Unemployment, s.a.	1000 (%)	Dec	165.0 (6.3%)	... (6.4%)	164.6 (6.3%)
9:30	EUR	ECB's Constancio speaks in Brussels					
9:55	DEM	Unemployment rate	%	Jan	6.9%	6.9%	6.9%
10:00	NOK	Retail sales, s.a.	m/m/y/y	Dec	0.5% ...	0.5% ..	0.3% 2.4%
10:00	NOK	Credit indicator growth (C2)	y/y	Dec	7.0%	7.0%	7.1%
10:30	GBP	Mortgage approvals	1000	Dec		54.5	54.0
11:00	EUR	Flash CPI estimate	y/y	Jan	2.1%	2.3%	2.2%
14:00	DEM	HICP, preliminary	m/m/y/y	Jan	.. 2.0%	.. 2.0%	0.9% 2.0%
14:30	USD	PCE core	m/m/y/y	Dec		0.1% ..	0.0% 1.5%
14:30	USD	Personal income	m/m	Dec		0.8%	0.6%
14:30	USD	Employment cost index	m/m	4th quarter		0.5%	0.4%
14:30	USD	Personal spending	m/m	Dec		0.3%	0.4%
14:30	USD	PCE deflator	m/m/y/y	Dec		0.0% 1.4%	-0.2% 1.4%
14:30	USD	Initial jobless claims	1000			355	330
14:30	CAD	GDP	m/m/y/y	Nov		0.2% ..	0.1% 1.1%
15:45	USD	Chicago PMI	Index	Jan		51.0	51.6

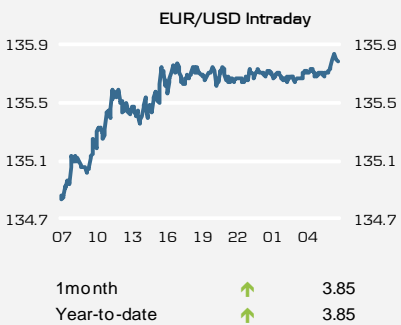
Source: Bloomberg, Danske Bank Markets

Today's market data: 31 January 2013

STOCKS



FX & COMMODITIES



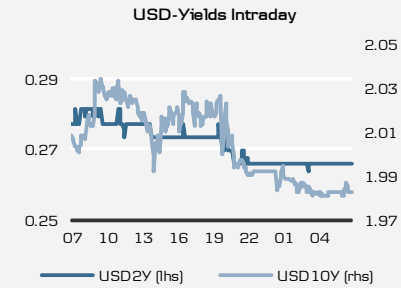
EUR	17:00	07:30	+/-
USD	135.76	135.78	↑ 0.02
JPY	123.70	123.51	↓ -0.19
GBP	85.97	85.82	↓ -0.15
NOK	743.98	743.09	↓ -0.89
SEK	861.52	861.12	↓ -0.40
DKK	746.05	746.06	↑ 0.01
PLN	419.62	419.97	↑ 0.35

USD	17:00	07:30	+/-
JPY	91.2	90.97	↓ -0.15
GBP	157.92	158.21	↑ 0.29
CHF	91.25	90.93	↓ -0.32

Oil, Brent, \$	07:30	1day	1month	Year-t-date
Oil, Brent, \$	115.14	↑ 0.24	↑ 4.03	↑ 4.03
Gold, \$	1680.55	↑ 3.50	↑ 5.20	↑ 5.20

CRB, 1M future	CRB, Raw Industrials
07:30	542.37
1day	↑ 0.92
1month	↑ 12.67
Year-t-date	↑ 1197

YIELDS & INTEREST RATES

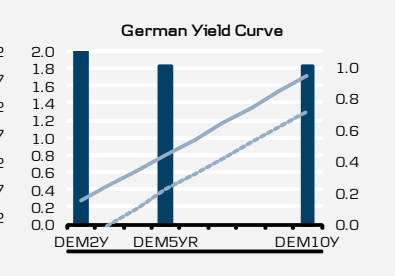
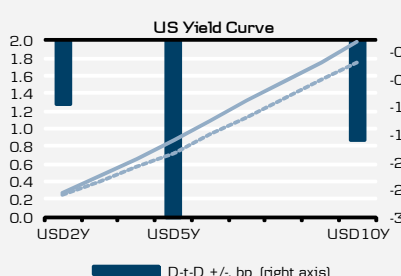
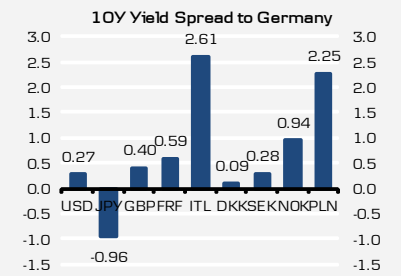


Policy Rate	3M	Spread, bp
USD	0.25	5
EUR	0.75	-52
GBP	0.50	1
DKK	0.30	5
SEK	1.00	18
NOK	1.50	38
PLN	4.00	-14

Spread, bp	17:00	07:30	+/-, bp
USD 10Y	2.03	1.98	↓ -4
USD 30Y	3.21	3.18	↓ -3
JPY 10Y	0.77	0.75	↓ -2

Spread, bp	07:30(-1)*	17:00	+/-, bp
DEM 10Y	1.70	1.72	↑ 2
DKK 10Y	1.79	1.81	↑ 2
SEK 10Y	1.94	1.99	↑ 6
NOK 10Y	2.65	2.65	↑ 0
PLN 10Y	3.96	3.96	↓ 0

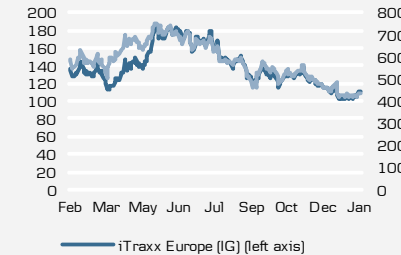
* As of closing previous trading day



Credit spread, iTraxx s. 11*

	07:30	1day	1month
Europe (IG)	111	↑ 2	↓ -6
HiVol	171	↑ 3	↓ -6
Xover (N-IG)	440	↑ 6	↓ -43
Finan. Sr.	143	↑ 2	↑ 1
Finan. Sub.	247	↑ 6	↑ 9
Non-finan.	41	↑ 2	↓ -54

Credit spreads



Swap Spread, bp**

	17:00	07:30	+/-
USD 10Y	7	8	↑ 1
JPY 10Y	6	4	↓ -2

	07:30(-1)*	17:00	+/-
EUR 10Y	19	21	↑ 2
DKK 10Y	28	30	↑ 2
SEK 10Y	43	44	↑ 1
NOK 10Y	83	83	↓ 0

* Ask price

* As of closing previous trading day

** Ask price

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First date of publication

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