

# Danske Daily

## Key news

- US bond yield curve steeper, equities higher, FX markets stable
- With three major events in Scandinavia, Euroland and the US there is ample room for large swings on the market today

## Markets Overnight

Super-Thursday has finally arrived. With the Riksbank, the ECB and US non-farm payrolls data, there is ample opportunity for large swings on the market. Incidentally, **US Treasury yields** have almost returned to the levels before the huge jump after the last release of non-farm payrolls numbers. After the drop in the wake of yesterday's ISM data the 2yr Treasury bond yield has declined to 1.05% and the 10yr Treasury Note is trading at 3.54% (9bp higher and flat respectively compared to the pre-non farm payrolls levels a month ago).

**Equity markets** had a fine day yesterday as most major indices saw gains. The S&P500 rose by 0.4% last night and the Nasdaq index increased by 0.6%. So far this morning the Nikkei index is at an unchanged level.

On the **FX market** EUR/USD has retreated somewhat after the move up to 1.42 yesterday. The cross has moved back down a figure to 1.41 stoked by statements by the Chinese vice foreign minister that China hopes the USD will remain stable as the world's reserve currency. EUR/JPY has been quite stable around 136.5 and the Scandinavian currencies are close to unchanged since European closing hours yesterday.

## Market movers today:

- US non-farm payrolls data
- ECB rate decision
- Riksbank rate decision

## Market overview

		07:30		1 day +/- %
S&P500 (close)		923,3	↑	0,44
S&P500 fut (chng from close)		916,9	↓	-0,25
Nikkei		9893,0	↓	-0,47
Hang Seng		18555,6	↑	0,96
		17:00	07:30	+/-, bp
US 2y gov	1,13	1,05	↓	-8,0
US 10y gov	3,51	3,54	↑	3,1
iTraxx Europe (IG)	110	110	↑	0,3
iTraxx Xover (Non IG)	700	701	↑	0,7
				+/-, %
EUR/USD	1,403	1,411	↑	0,61
USD/JPY	96,35	96,61	↑	0,27
EUR/CHF	152,5	151,9	↓	-0,35
EUR/GBP	0,852	0,857	↑	0,66
EUR/SEK	10,87	10,73	↓	-1,34
EUR/NOK	9,02	8,97	↓	-0,64
				USD
Oil Brent, USD	68,9	68,6	↓	-0,3
Gold, USD	927,4	939,6	↑	12,1

### 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:** A very interesting day on the cards today. Somewhat unusual, ECB is the undercard while the US labour market report and non-farm payrolls are the main events. The ECB meeting could be close to a non-event. We are confident that the ECB will leave the refinancing rate unchanged at 1.0%, which implies that focus will be on the press conference. We will look for signs that the ECB rhetoric is becoming more positive, but do not expect much. The question today is whether the pace in the improvements in payrolls the last two months is for real. Non-farm payrolls improved by about 150,000 a month in April and May. Consensus is a drop in employment from 345,000 in May to 365,000 in June, but forecasts vary from -150,000 to -500,000. We are looking for a stronger-than-expected reading of -270,000.

**Fixed income markets:** Non-farm payrolls look likely to set the tone on interest rate markets today unless ECB springs a big surprise. Supply may also come into focus as the US treasury announces amounts for the auctions next week. These announcements have previously resulted in higher yields as the size has surprised on the upside. We see upside risk to yields today, but the uncertainty surrounding non-farm is always large.

**FX markets:** EUR/USD will most likely be the most interesting G10 pair to follow today as it will be affected by two major events; the ECB rate decision and the US non-farm payrolls report. Yesterday EUR/USD managed to escape from the almost magnetic 1.40-level, but the rise may prove to be temporary if the ECB takes a cautious approach to the imminent recovery and instead focuses on downside risks to the economy while at the same time US job losses come out lower than expected by the median forecaster. Keep also an eye on EUR/GBP that rose yesterday, which remains an attractive sell. Downside in NZD/CAD also looks interesting for investors with high risk appetite, see *FX Market Update*.

## Scandi Daily

**Denmark:** The Danish Central Bank will publish changes in the currency reserves at 16.00 CET but the numbers are not surrounded with the same enthusiasm as last month. We expect the currency reserve to be largely unchanged at DKK 325bn as the Bank has not intervened or purchased foreign currency to our knowledge. We see a possibility of an independent Danish rate cut of 10bp to 1.45 at 16.00 CET; the spread to Euroland is still too big, the FX reserve is still record-high, EUR/DKK trades well below the central parity and previous rate cuts can be viewed as 'a little too cautious'. Additionally, some debate has recently centered on the need for lower rates from an economic perspective. The Danish Central Bank focuses mainly on financial conditions, but economic prospects are on the Bank's radar as well, c.f. its own Monetary Review. Earlier today May unemployment figures will be released; we expect 9,000 people more to be looking for jobs than in April and a rise in the unemployment rate from 3.3% to 3.6%.

**Sweden:** The Riksbank will release its rate decision, possible new QE measures and Monetary Policy Report today at 9.30 CET. The repo rate is likely to be left unchanged at 0.5%. The main issue is whether or not the Riksbank will attempt any other measures to stimulate the economy. We believe that the Riksbank will reiterate its rate forecast, which calls for unchanged rate until 2011, as a way to bring down rate expectations in the market. Moreover, the Riksbank may well emulate the ECB measure of offering a very generous tender to the market (which could be positive especially for mortgage bonds). Buying up covered bonds on the market will likely be considered as a possible measure, but we expect the Riksbank not to exercise that option just yet. SEK has performed strongly this week as risk appetite has once again picked-up, but also the surprise jump in Swedish PMI yesterday to above 50 has added to the positive SEK sentiment. We have long argued that SEK is significantly undervalued and if the PMI readings are reflected in other Swedish numbers EUR/SEK could easily drop more over the coming quarter. However, today all eyes are on the Riksbank meeting and with a soft stance expected the risk is on the upside for EUR/SEK.

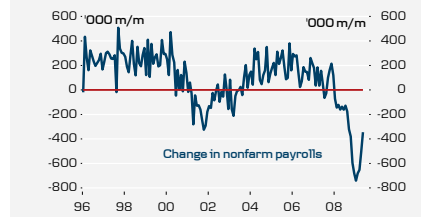
**Norway:** In Norway focus is on the PMI numbers at 9.00 CET. After the surprisingly strong Swedish and UK PMI readings yesterday we have a suspicion that the countries that have experienced a depreciation of their currencies are getting an extra boost at the moment. Hence, we have revised our Norwegian PMI forecast higher and now expect it to jump from 41 in May to 47 in June. If we are right in our forecast the reaction should be a stronger NOK and

we still recommend to position accordingly. A strong PMI reading would come on top of strong retail sales and strong house price data earlier this week.

**Key figures and events**

Thursday, July 2, 2009		Period	Danske Bank	Consensus	Previous	
8:30	CHF	SNB's Jordan speaks in Luzern				
9:00	NOK	PMI	Index Jun	42.5	43.0	41.0
9:30	DKK	Unemployment, s.a.	K (%) May	101.8 [3.6]		92.8 [3.3]
9:30	SEK	Riksbank, Rate decision	%	0.5	0.5	0.5
10:00	NOK	Unemployment nsa. [Aetat]	% Jun	2.7	2.8	2.6
10:30	GBP	PMI, Construction	Index Jun			45.9
10:30	GBP	BoE Quarterly Credit Conditions survey				
11:00	EUR	Unemployment	% May	9.4	9.3	9.2
11:00	EUR	PPI	m/m y/y May		0.1% -5.6%	-1.0% -4.6%
13:45	EUR	ECB Meeting	%	1.00	1.00	1.00
14:30	EUR	ECB Press Conference				
14:30	USD	Nonfarm payroll	1000 Jun	-270	-370	-345
14:30	USD	Unemployment	% Jun	9.6	9.6	9.4
14:30	USD	Average hourly earnings, non-farm	m/m y/y Jun		0.1% 2.9%	0.1% 3.1%
14:30	USD	Initial jobless claims	1000			627
16:00	USD	Factory Orders	m/m May		0.2%	0.7%
16:00	DKK	Currency reserves	DKK bn Jun			325.3

**Chart of the day: Nonfarm payrolls**



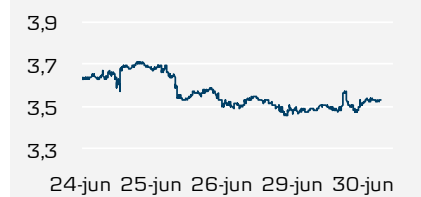
Source: Reuters Ecowin

**US S&P500 future**



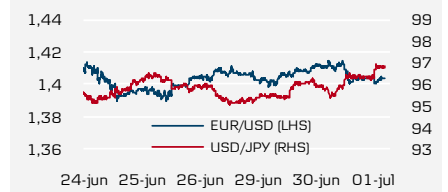
Source: Danske Markets

**US 10y gov yield**



Source: Danske Markets

**Global FX**



Source: Danske Markets

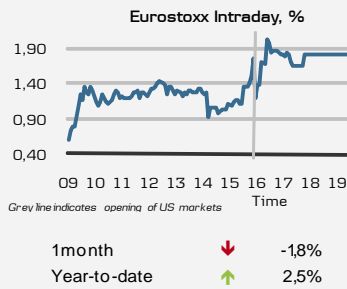
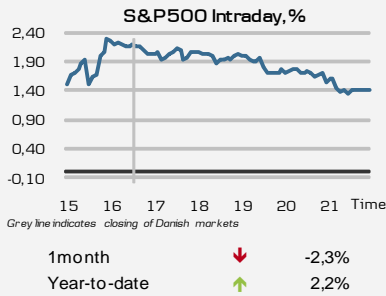
**Scandi FX**



Source: Danske Markets

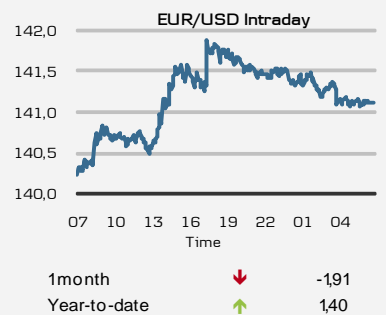
Today's market data: 02 July 2009

STOCKS



	Close		+/-
DJSTOXX50	2136	<span style="color:green">↑</span>	1,8%
OMXC20	295	<span style="color:green">↑</span>	1,3%
OMXS30	814	<span style="color:green">↑</span>	2,3%
OSE BX	288	<span style="color:green">↑</span>	2,0%
	Close		+/-
DOW JONES	8504	<span style="color:green">↑</span>	0,7%
NASDAQ	1846	<span style="color:green">↑</span>	0,6%
S&P500	923	<span style="color:green">↑</span>	0,4%
NIKKEI (07:30)	9893	<span style="color:green">↑</span>	1,8%

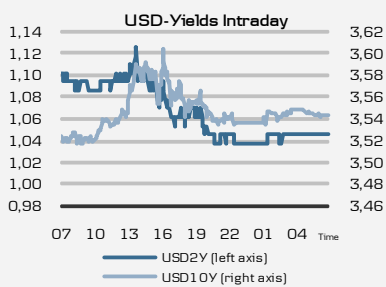
FX & COMMODITIES



	17:00	07:30	+/-
<b>EUR</b>			
USD	140,27	141,12	<span style="color:green">↑</span> 0,85
JPY	135,14	136,33	<span style="color:green">↑</span> 1,19
GBP	85,18	85,75	<span style="color:green">↑</span> 0,57
NOK	902,45	896,64	<span style="color:red">↓</span> -5,81
SEK	1087,30	1072,78	<span style="color:red">↓</span> -14,52
DKK	744,64	744,70	<span style="color:green">↑</span> 0,06
PLN	446,55	434,94	<span style="color:red">↓</span> -11,61
<b>USD</b>			
JPY	96,35	96,61	<span style="color:green">↑</span> 0,26
GBP	164,66	164,57	<span style="color:red">↓</span> -0,09
CHF	108,70	107,67	<span style="color:red">↓</span> -1,03

	Gold, \$	Oil, Brent, \$
07:30	939,55	68,58
1day	<span style="color:red">↓</span> -1,25	<span style="color:red">↓</span> -0,21
1month	<span style="color:red">↓</span> -42,30	<span style="color:green">↑</span> 0,41
Year-t-date	<span style="color:green">↑</span> 57,50	<span style="color:green">↑</span> 22,99
	CRB	CRB, Raw
	1M future	Industrials
07:30	251,17	406,17
1day	<span style="color:green">↑</span> 1,21	<span style="color:red">↓</span> -1,01
1month	<span style="color:red">↓</span> -9,04	<span style="color:green">↑</span> 18,56
Year-t-date	<span style="color:green">↑</span> 21,63	<span style="color:green">↑</span> 75,96

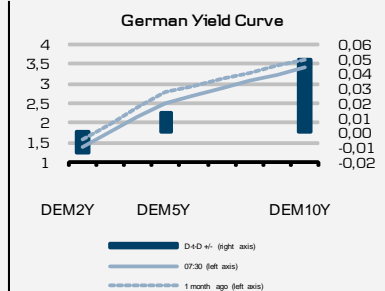
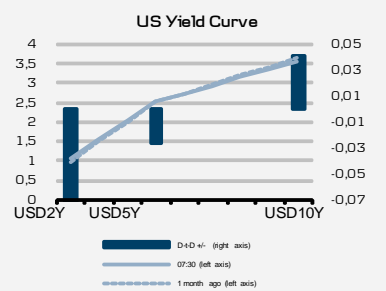
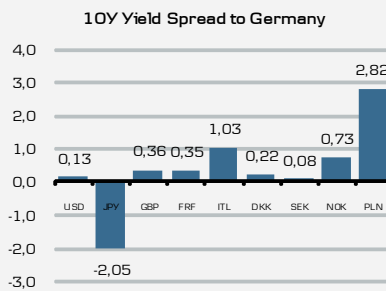
YIELDS & INTEREST RATES



	Policy Rate	3M	Spread, bp
USD	0,25	0,59	34
EUR	1,00	1,09	9
GBP	0,50	1,18	68
DKK	1,55	2,18	63
SEK	0,50	0,95	45
NOK	1,25	1,94	69
PLN	3,50	4,33	83

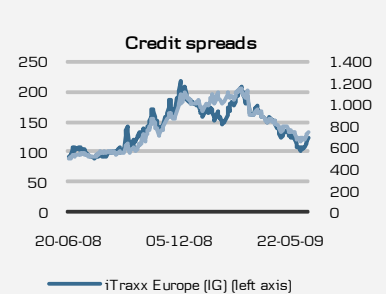
	17:00	07:30	+/-, bp
USD 10Y	3,51	3,54	<span style="color:green">↑</span> 3
USD 30Y	4,31	4,34	<span style="color:green">↑</span> 2
JPY 10Y	1,35	1,36	<span style="color:green">↑</span> 1
	07:30(-1)*	17:00	+/-, bp
DEM 10Y	3,36	3,39	<span style="color:green">↑</span> 2
DKK 10Y	3,62	3,62	<span style="color:red">↓</span> 0
SEK 10Y	3,44	3,45	<span style="color:green">↑</span> 1
NOK 10Y	4,16	4,15	<span style="color:red">↓</span> -1
PLN 10Y	6,33	6,24	<span style="color:red">↓</span> -9

\* As of closing previous trading day



Credit spread, iTraxx s. 11\*

	07:30	1day	1month
Europe (IG)	110	<span style="color:red">↓</span> -3	<span style="color:green">↑</span> 3
HiVol	215	<span style="color:red">↓</span> -3	<span style="color:green">↑</span> 8
Xover (N-IG)	701	<span style="color:red">↓</span> -12	<span style="color:green">↑</span> 30
Finan. Sr.	108	<span style="color:red">↓</span> -2	<span style="color:green">↑</span> 0
Finan. Sub.	193	<span style="color:red">↓</span> -2	<span style="color:green">↑</span> 5
Non-finan.	193	<span style="color:red">↓</span> -2	<span style="color:green">↑</span> 5



Swap Spread, bp\*\*

	17:00	07:30	+/-
USD 10Y	23	24	<span style="color:green">↑</span> 1
JPY 10Y	4	3	<span style="color:red">↓</span> -1
	07:30(-1)*	17:00	+/-
EUR 10Y	26	24	<span style="color:red">↓</span> -2
DKK 10Y	7	9	<span style="color:green">↑</span> 2
SEK 10Y	27	27	<span style="color:red">↓</span> 0
NOK 10Y	46	48	<span style="color:green">↑</span> 2

\* As of closing previous trading day

\*\* Ask price

\* Ask price

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