

# Danske Daily

## Key news

- Trading has been dominated by yesterday's bleak employment report, but there has only been modest movement since market close in Europe yesterday.
- USD and JPY have strengthened and SEK has continued to weaken overnight albeit only slightly. Asian stock markets mostly in red this morning but have recovered from earlier lows.
- China wants to discuss global reserve currency at next week's G8 summit.

## Markets Overnight

Trading has been dominated by yesterday's bleak employment report in the US, see [Flash Comment - US: Employment report disappoints](#). However, with the US market closed today for Fourth of July holiday there has been very little movement in the markets overnight.

In the US the **stock market** closed down sharply on the back of the weak employment numbers, but there has been little change since the market close in Europe yesterday. There was weakness across the board with even defensive utility and health care stocks losing ground.

In **Asia** most stock markets are in negative territory this morning, but the markets have recovered from earlier lows.

**US bond yields** yesterday declined on the back of the weak labour market report with largely similar declines in long and short-term bond yields. Again there has been very little change since market close in Europe yesterday.

In the US the **Treasury has announced it will hold four auctions next week** and sell USD 73bn of notes, bonds and inflation-protected securities. The Treasury will sell USD 8bn of 10-year Treasury Inflation Protected Securities on 6 July, USD 35bn of 3-year notes on 7 July, USD 19bn of 10-year notes on 8 July and USD 11bn of 30-year bonds on 9 July. The size of the auctions is in line with market expectations.

In the **FX markets** USD and JPY have both benefitted from the decrease in risk sentiment in the markets yesterday. In **Scandinavia** SEK has continued to weaken following yesterday's surprising interest rate cut from Riksbanken. NOK is trading largely unchanged despite the plunge in crude oil prices.

On **commodity markets** the crude oil price is again below USD70 and has drifted lower overnight following yesterday's plunge in the wake of the US employment figures.

According to Reuters **China has asked to discuss a new global reserve currency at next week's G8 summit** in Italy and in preparatory negotiations before the summit has asked for a joint statement to be issued on reserve currencies on the second day of the summit, when China will participate in the discussions.

## Market movers today:

- US market is closed for Fourth of July holiday
- Swiss consumer prices [9:30 CET]
- UK service PMI (10:30 CET)
- Euroland retail sales (11:00 CET)

## Market overview

	07:30		1 day +/-%
S&P500 (close)	896.4	↓	-2.91
S&P500 fut (chng from close)	895.0	↑	0.19
Nikkei	9773.3	↓	-1.04
Hang Seng	18094.7	↓	-0.46
	17:00	07:30	+/-, bp
US 2y gov	0.99	0.98	↓ -0.8
US 10y gov	3.50	3.49	↓ -1.0
iTraxx Europe (IG)	115	115	↑ 0.3
iTraxx Xover (Non IG)	738	739	↑ 1.1
			+/-, %
EUR/USD	1.403	1.399	↓ -0.29
USD/JPY	96.01	95.97	↓ -0.04
EUR/CHF	151.9	151.9	↑ 0.00
EUR/GBP	0.857	0.854	↓ -0.29
EUR/SEK	10.87	10.90	↑ 0.27
EUR/NOK	8.99	8.96	↓ -0.23
			USD
Oil Brent, USD	66.9	66.6	↓ -0.3
Gold, USD	930.9	933.1	↑ 2.2

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:** The US markets are closed due to Independence Day and a quiet day seems on the cards. There are no interesting data on the agenda in Euroland today.

**Fixed income markets:** With the US market closed we expect a quiet day with little movements in interest rates.

**FX markets:** Also a quiet day in the FX markets with no major key events and the US market closed. The weak non-farm payrolls kicked the remainders of risk appetite out of the market and the market rushed to the safety of the dollar, despite the numbers underlining that the US economy is still struggling. We recommend to keep an eye on the oil price as it dropped below USD70 yesterday. The market finally seems to realise that oil prices well above USD 70 are not consistent with the current state of the global economy. If commodities continue to struggle today this might weigh further on EUR/USD and commodity currencies like CAD, AUD and NZD.

The Swiss inflation numbers are expected to show that inflation fell 1.1%. The low inflation underlines that the SNB is serious when it says that it will mitigate any sign of CHF appreciation. A view that was firmly confirmed by SNB board member Jordan yesterday.

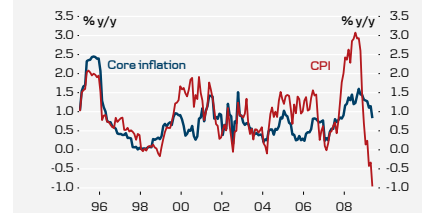
## Scandi Daily

In **Sweden** the Riksbank was pretty soft yesterday cutting rates to 0.25%, introducing a 1y fixed rate tender and on top of that introducing a negative interest rate of 0.25% for central bank deposits. In other words, the Riksbank is doing everything it can to flood the market with cheap liquidity. Not surprisingly this weighed on SEK. However, considering the unprecedented steps the Riksbank took, the move up in EUR/SEK was smaller than one should expect. Hence, we think SEK is in for trouble today with risk appetite under pressure and a summer thin market.

In **Norway** NOK survived yesterday on a relative strong footing supported by strong PMI and labour market numbers. However, luck might be running out for NOK with oil down significantly last night.

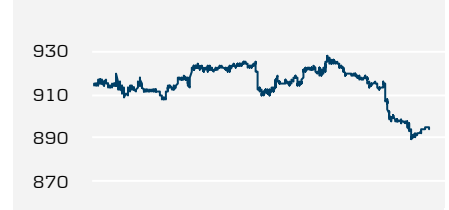
In **Denmark** the *currency reserves* continued to grow in June by another DKK 5bn to DKK 330.3 bn. However, the Danish central bank was not as trigger happy as the one on the other side of Oresund and rates were left unchanged even though we would argue that the size of the currency reserve leaves room for a slightly smaller interest rate spread to Euroland. We maintain the view that the spread will be narrowed further during the year to 35bp.

Chart of the day: Swiss inflation



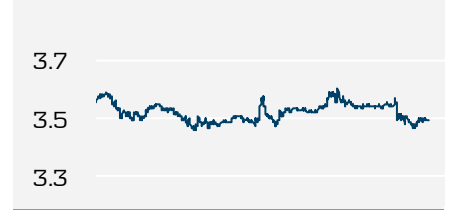
Source: Reuters Ecowin

US S&P500 future



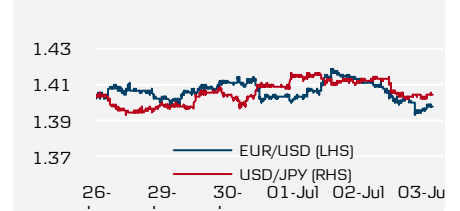
Source: Danske Markets

US 10y gov yield



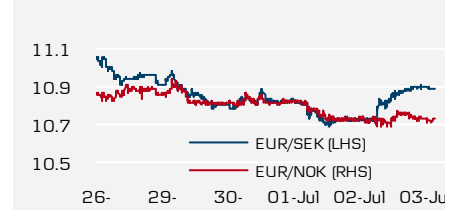
Source: Danske Markets

Global FX



Source: Danske Markets

Scandi FX



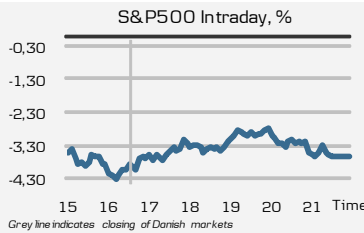
Source: Danske Markets

### Key figures and events

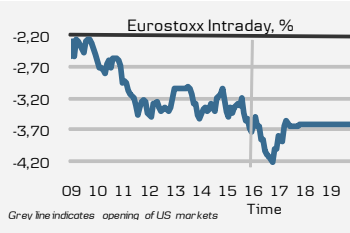
Friday, July 3, 2009		Period	Danske Bank	Consensus	Previous
-	USD	Independence Day (OBS) - Market closed			
9:15	CHF	CPI	m/mly/y	Jun	0.1% -1.1%
9:50	FRF	PMI Services, final	Index	Jun	47.5
9:55	DEM	PMI Services, final	Index	Jun	44.3
10:00	EUR	PMI Services, final	Index	Jun	44.5
10:30	GBP	PMI, Services	Index	Jun	51.7
11:00	EUR	Retail sales	m/mly/y	May	0.1% -0.1%
					0.2% -2.3%

Today's market data: 03 July 2009

STOCKS



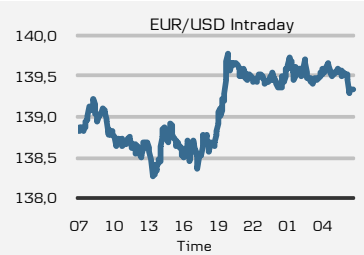
1month	↑	0,1%
Year-to-date	↑	0,8%



1month	↓	-0,5%
Year-to-date	↑	0,7%

	Close	±
DJSTOXX50	2098	↓ -1,6%
OMXC20	290	↓ -2,9%
OMXS30	774	↓ -1,9%
OSEBX	285	↓ -4,6%
DOW JONES	8497	↓ -0,1%
NASDAQ	1808	↑ 0,7%
S&P 500	911	↓ -0,1%
NIKKEI (07:30)	9670	↓ -1,6%

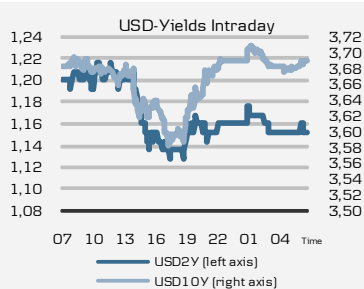
FX & COMMODITIES



1month	↑	3,71
Year-to-date	↓	-0,39

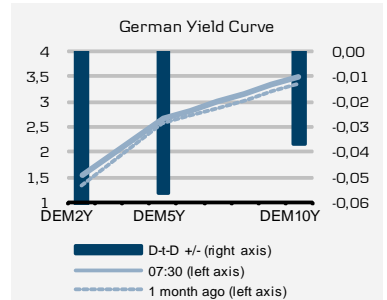
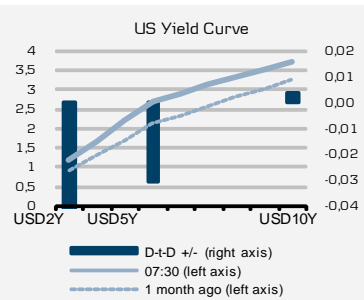
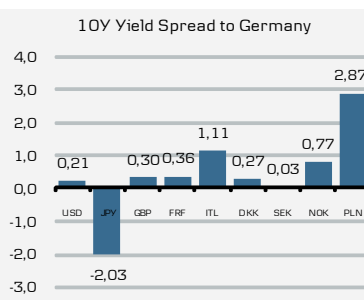
EUR	17:00	07:30	±	07:30	Gold, \$	Oil, Brent, \$
USD	138,58	139,33	↑ 0,75	07:30	938,14	70,66
JPY	132,66	133,36	↑ 0,70	1day	↓ -0,73	↓ -0,19
GBP	85,17	85,16	↓ -0,01	1month	↑ 19,89	↑ 12,19
NOK	891,12	888,16	↓ -2,96	Year-t-date	↑ 56,09	↑ 25,07
SEK	1099,41	1095,83	↓ -3,58			
DKK	744,39	744,47	↑ 0,08			
PLN	452,74	453,20	↑ 0,46			
USD	17:00	07:30	±	07:30	CRB	CRB, Raw
JPY	95,73	95,72	↓ -0,01	1day	↑ 0,97	↓ -3,41
GBP	162,71	163,60	↑ 0,89	1month	↑ 15,66	↑ 2130
CHF	108,67	108,17	↓ -0,50	Year-t-date	↑ 27,28	↑ 71,04
					1M future	Industrials
					256,82	40125

YIELDS & INTEREST RATES



	Policy Rate	3M	Spread, bp	17:00	07:30	±, bp	
USD	0,25	0,61	36	USD 10Y	3,62	3,69	↑ 7
EUR	1,00	1,24	24	USD 30Y	4,45	4,51	↑ 7
GBP	0,50	1,25	75	JPY 10Y	1,47	1,46	↓ -1
DKK	1,55	2,32	77				
SEK	0,50	0,98	48				
NOK	1,50	2,13	63	07:30(-1)*	17:00	±, bp	
PLN	3,75	4,52	77	DEM 10Y	3,52	3,48	↓ -3
				DKK 10Y	3,76	3,75	↓ -1
				SEK 10Y	3,52	3,50	↓ -2
				NOK 10Y	4,27	4,25	↓ -2
				PLN 10Y	6,35	6,33	↓ -1

\* As of closing previous trading day



Credit spread, iTraxx s. 10*				Swap Rates**				Swap Spread, bp**			
	07:30	1day	1month	USD 10Y	17:00	07:30	±, bp	USD 10Y	17:00	07:30	±
Europe	207	↑ 6	↓ -63	JPY 10Y		141		JPY 10Y	20	22	↑ 1
HiVol	200	↓ -4	↓ -28								
Crossover	634	↑ 19	↓ -92								
Finan. Sr.	98	↑ 3	↓ -32	07:30(-1)*	17:00	±, bp		07:30(-1)*	17:00	±	
Finan. Sub.	174	↑ 8	↓ -52	EUR 10Y	3,72	3,70	↓ -2	EUR 10Y	20	24	↑ 4
Non-finan.	251	↑ 4	↓ -63	DKK 10Y	4,00	3,98	↓ -2	DKK 10Y	5	5	↑ 0
				SEK 10Y	3,82	3,77	↓ -4	SEK 10Y	31	26	↓ -5
				NOK 10Y	4,74	4,69	↓ -4	NOK 10Y	49	44	↓ -5
				PLN 10Y	5,63						

\* Ask price

\* As of closing previous trading day

\* As of closing previous trading day

\*\* Ask price

\*\* Ask price

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