

Danske Daily

Key news

- As US markets were closed for Labor Day yesterday, movements this morning in Asian equity markets and major FX rates have been small
- JGB rates decline as Bank of Japan leaves rates unchanged and keeps credit programme in place
- No major key economic data due out today; however, with the move in JGBs, PIMCO's comments on Greece and a stronger yen, yields could decline and the euro weaken against the dollar this morning

Markets overnight

The markets have been dominated by the US financial markets being closed for Labor Day. Both US **equity markets** and **US bond markets** were closed yesterday.

Yesterday, the ECB's Nowotny spoke about the ECB exit strategy and that it would not start discussing this until December, but his comments had a limited effect on the market. The ECOFIN meeting discussed how to improve on the monitoring of budget management credible sanctions against deficit offenders. Again there was no new information to the market.

The opening in the Asian equity markets this morning has been characterised by mixed sentiment, as the strengthening of the yen that we have witnessed this year is hurting Japanese car makers. The Nikkei has declined 0.4%, while there has been a small gain in e.g. Hang Seng of 0.1% this morning.

The Bank of Japan kept monetary policy unchanged at 0.1% and maintained its liquidity programme at its meeting. This has been supportive for JGBs – 10Y rates have declined by 4bp this morning. The move is also supported by USDJPY testing the 84 level.

It has been a fairly quiet morning in the **FX markets** as EUR/USD has remained range-bound around the 1.28-1.29 level, but is testing the 128 level given the debt concerns regarding the eurozone and comments from PIMCO's Bosomworth that there is still a significant risk of a Greek default. USD/JPY is again testing the 84 level, while SEK and NOK are trading around the 9.30 level and 7.87 level, respectively.

Market movers today:

- German factory orders
- Norwegian manufacturing production

Market overview

| | 07:30 | 1 day +/- % | |
|-----------------------------|---------|-------------|---------|
| S&P500 (close) | 1104.5 | ↑ | 1.32 |
| S&P500 fut (chg from close) | 1103.7 | ↑ | 0.02 |
| Nikkei | 9224.7 | ↓ | -0.82 |
| Hang Seng | 21357.1 | ↑ | 0.01 |
| | 17:00 | 07:30 | +/- bp |
| US 2y gov | 0.51 | 0.50 | ↓ -0.8 |
| US 10y gov | 2.70 | 2.68 | ↓ -2.5 |
| iTraxx Europe (IG) | 99 | 106 | ↑ 6.8 |
| iTraxx Xover (Non IG) | 399 | 484 | ↑ 85.1 |
| | | | +/- % |
| EUR/USD | 1.288 | 1.280 | ↓ -0.64 |
| USD/JPY | 84.190 | 84.130 | ↓ -0.07 |
| EUR/CHF | 1.30 | 1.29 | ↓ -0.87 |
| EUR/GBP | 0.836 | 0.832 | ↓ -0.50 |
| EUR/SEK | 9.299 | 9.306 | ↑ 0.07 |
| EUR/NOK | 7.88 | 7.88 | ↓ -0.01 |
| | | | USD |
| Oil Brent, USD | 76.6 | 76.8 | ↑ 0.22 |
| Gold, USD | 1249.5 | 1249.4 | ↓ -0.01 |

Note:

* The iTraxx Europe Index shows the spread development for the most liquid investment grade CDS contracts in the euro credit market.

**The iTraxx Europe Crossover shows 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: German manufacturing orders is the main event today. PMI new orders indicate that manufacturing orders will increase at a slowing pace, dragged down by export orders. Nevertheless, the data should indicate that German industrial production has kept momentum well into Q3 despite the US slowdown. The ECB's Bini Smaghi is due to speak from Beijing in the morning, while Stark is due to speak in Wiesbaden later in the day.

Fixed income markets: Momentum remains bearish across the curve, suggesting that the correction in the bond market could continue for a while yet. The 'normalisation' in the long end of the curve is expected to continue with 10-30 and 5-30 steepening further back up in the coming days. Elsewhere the level of the curve is likely to trade on risk appetite, which improved further on Monday. Apart from the German orders data, fixed income markets will focus on supply from Austria (2019 and 2026 bonds), the UK (GBP800m I/L) and from the US (USD33bn 3Y notes) today.

FX markets: With the absence of tier-one data releases, the FX market is likely to stay fairly range-bound for a second day – even with the US returning from Labor Day. The Reserve Bank of Australia (RBA) kept its policy rate unchanged at this morning's meeting and did not indicate any imminent policy change – as recent strong domestic data could have suggested. Although the RBA did not spark renewed support for the AUD, we still see upward potential and expect further outperformance against both CAD and NZD given the stronger cyclical position of the Australian economy. With no further measures taken by the Bank of Japan, watch out for the downside in USD/JPY and EUR/JPY – should risk sentiment turn sour, we could see fresh JPY demand.

Scandi Daily

Norway: We expect July manufacturing production to drop 1.5% m/m, after growing 3.3% in June. However, this will still imply that the underlying growth in industrial activity continues to point upwards. This outlook is supported by the July PMI data, and the 28% (q/q) growth in new orders in Q2.

German orders to rise more slowly



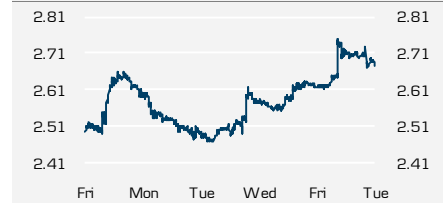
Source: Reuters Ecowin

US S&P500 future



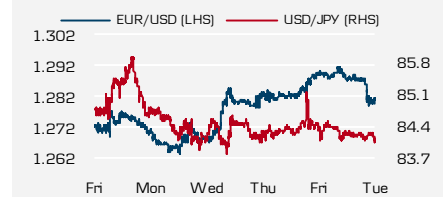
Source: Danske Markets

US 10y gov yield



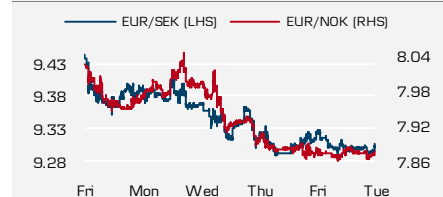
Source: Danske Markets

Global FX



Source: Danske Markets

Scandi FX



Source: Danske Markets

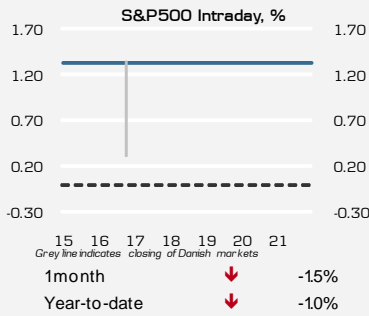
Key figures and events

| Tuesday, September 7, 2010 | | Period | Danske Bank | Consensus | Previous |
|----------------------------|-----|---|-------------|-----------|-------------|
| 9:30 | DKK | Industrial production | m/m | Jul | 1.2% |
| 9:30 | SEK | Budget balance | bn. | Aug | 12.5 |
| 10:00 | NOK | Manufacturing Production, s.a. | m/m y/y | Jul | -1.5% ... |
| 10:00 | NOK | Industrial Production | m/m y/y | Jul | -0.5% ... |
| 11:00 | EUR | ECB Announces Allotment in 7-Day Refinancing Tender | EUR bn. | | 3.3% 7.2% |
| 12:00 | DEM | Factory Orders | m/m y/y | Jul | -1.7% -4.4% |
| 19:00 | USD | Auction of USD33 bn 3-year notes | | | 0.6% ... |
| | | | | | 0.6% 20.6% |
| | | | | | 3.2% 24.6% |

Source: Bloomberg and Danske Markets

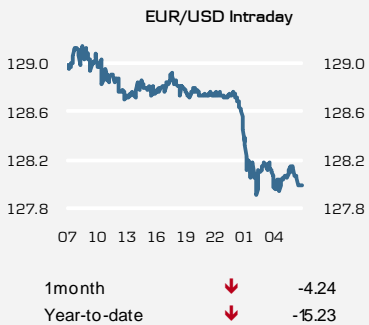
Today's market data: 07 September 2010

STOCKS



| Index | Close | Change | % |
|----------------|-------|--------|-------|
| DJSTOXX50 | 2541 | ↑ | 0.1% |
| OMXC20 | 407 | ↓ | -0.2% |
| OMXS30 | 1053 | ↑ | 0.4% |
| OSE BX | 370 | ↑ | 0.0% |
| DOW JONES | 10448 | ↑ | 12% |
| NASDAQ | 2234 | ↑ | 15% |
| S&P 500 | 1105 | ↑ | 1.3% |
| NIKKEI (07:30) | 9225 | ↑ | 0.1% |

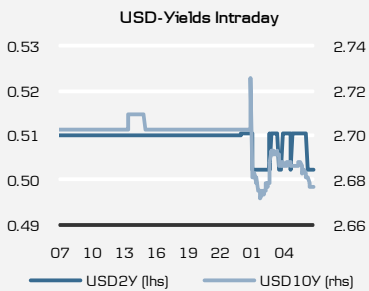
FX & COMMODITIES



| EUR | 17:00 | 07:30 | Change |
|-----|--------|--------|---------|
| USD | 128.81 | 127.98 | ↓ -0.83 |
| JPY | 108.45 | 107.67 | ↓ -0.78 |
| GBP | 83.64 | 83.22 | ↓ -0.42 |
| NOK | 787.79 | 787.71 | ↓ -0.08 |
| SEK | 929.87 | 930.56 | ↑ 0.69 |
| DKK | 744.54 | 744.53 | ↓ -0.01 |
| PLN | 393.16 | 393.49 | ↑ 0.33 |
| USD | 17:00 | 07:30 | Change |
| JPY | 84.19 | 84.13 | ↓ -0.06 |
| GBP | 154.01 | 153.79 | ↓ -0.22 |
| CHF | 101.21 | 100.97 | ↓ -0.24 |

| Oil, Brent, \$ | 07:30 | Change |
|----------------------|-----------|---------|
| Gold, \$ | 1249.40 | ↓ -0.65 |
| 1day | ↓ | -0.12 |
| 1month | ↑ | -3.41 |
| Year-t-date | ↑ | -1.8 |
| CRB, Raw Industrials | 1M future | Change |
| 07:30 | 272.77 | 510.12 |
| 1day | ↑ | 0.00 |
| 1month | ↓ | -0.36 |
| Year-t-date | ↓ | 20.09 |
| | ↑ | 26.63 |

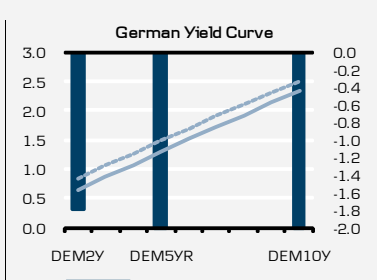
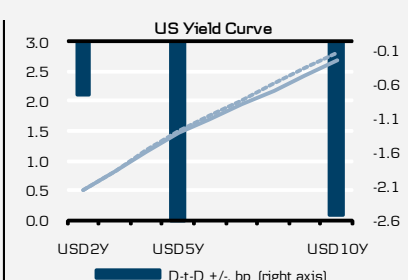
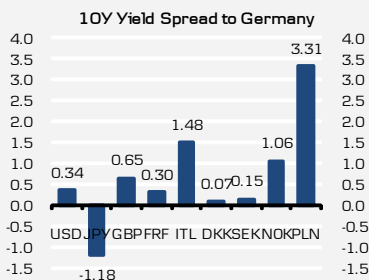
YIELDS & INTEREST RATES



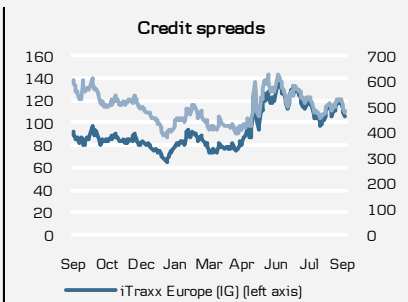
| Policy Rate | 3M | Spread, bp | |
|-------------|------|------------|-----|
| USD | 0.25 | 0.29 | 4 |
| EUR | 1.00 | 0.88 | -12 |
| GBP | 0.50 | 0.73 | 23 |
| DKK | 1.05 | 1.15 | 10 |
| SEK | 0.50 | 1.09 | 59 |
| NOK | 2.00 | 2.69 | 69 |
| PLN | 3.50 | 3.71 | 21 |

| Yield | 17:00 | 07:30 | Change |
|------------|-------|--------|--------|
| USD 10Y | 2.70 | 2.68 | ↓ -3 |
| USD 30Y | 3.78 | 3.77 | ↓ -2 |
| JPY 10Y | 1.20 | 1.16 | ↓ -4 |
| 07:30(-1)* | 17:00 | Change | |
| DEM 10Y | 2.36 | 2.33 | ↓ -2 |
| DKK 10Y | 2.35 | 2.41 | ↑ 6 |
| SEK 10Y | 2.49 | 2.49 | ↑ 0 |
| NOK 10Y | 3.39 | 3.39 | ↑ 0 |
| PLN 10Y | 5.50 | 5.62 | ↑ 13 |

* As of closing previous trading day



| Credit spread, iTraxx s. 11* | 07:30 | 1day | 1month |
|------------------------------|-------|------|--------|
| Europe (IG) | 106 | ↑ 0 | ↑ 3 |
| HiVol | 159 | ↓ 0 | ↑ 9 |
| Xover (N-IG) | 484 | ↑ 2 | ↑ 13 |
| Finan. Sr. | 124 | ↑ 5 | ↑ 11 |
| Finan. Sub. | 182 | ↑ 1 | ↑ 10 |
| Non-finan. | 182 | ↑ 1 | ↑ 10 |



| Swap Spread, bp** | 17:00 | 07:30 | Change |
|-------------------|-------|--------|--------|
| USD 10Y | | -2 | |
| JPY 10Y | | 8 | |
| 07:30(-1)* | 17:00 | Change | |
| EUR 10Y | 27 | 27 | ↑ 0 |
| DKK 10Y | 35 | 38 | ↑ 2 |
| SEK 10Y | 29 | 30 | ↑ 2 |
| NOK 10Y | 61 | 59 | ↓ -2 |

* As of closing previous trading day

** Ask price

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First date of publication

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