30 July 2010

Danske Daily

Markets overnight

- **US initial jobless** claims declined to 457k for the week ending 24 July from an revised 468k the prior week. This brings the four-week moving average to 452k, down slightly from the 457k last week. The report is consistent with continued, albeit gradual, improvements in labour market conditions.
- **US stocks** fell for a third consecutive day, as disappointing earnings reports from utilities and consumer companies set the tone for the equity markets. Earlier in the day a number of Europe's large companies had otherwise reported stronger-than-expected earnings. US markets closed with the S&P500 down by 0.4%. However, the US market remained on track to close out the best month since July 2009 – for instance the blue-chip index has gained more than 7% so far this month.
- **US treasury bonds** continue to perform well. Hence, yesterday five- and seven-year notes traded near the highest levels in a week. Both are heading for a fourth consecutive monthly gain. It is notable that the seven-year note rose even after an USD29bn auction attracted less demand than forecast. Meanwhile 30- and 10-year debt headed for their first monthly losses. US yields have fallen roughly 1-2bp across the curve overnight.
- **In FX markets** the Japanese yen advanced against all major currencies as a sign of decreased risk appetite, which also have pushed most **Asian stock markets** into red this morning. The sentiment is likely to be have been dented by data showing that Japanese industrial production fell unexpectedly and the jobless rate rose. The dollar is heading for its biggest monthly decline versus the euro since May 2009 although EUR/USD is slightly lower overnight. Scandies are a little weaker this morning.

Global Daily

- The key scheduled event for global markets today will be the **Q2 national account release out of the US**. We expect, in line with consensus, that US GDP growth slowed to 2.5% q/q AR from 2.7% q/q AR in the previous quarter. Recent data out of US have been mixed and a weak reading could therefore rattle markets and push US yields and equities lower. Later in the afternoon Chicago PMI and University of Michigan Confidence are released.

Scandi Daily

- We expect a quite strong outcome for the **Swedish "flash" Q2 GDP estimate** today, 0.5 % SA q/q and 3.5 % y/y (calculation adjusted). In terms of the latter, the primary driving forces are inventories (about 2 percentage points contribution) and private consumption (about 1.5pp). Net exports are expected to contribute negatively (about 1pp). However, net exports may be stronger as the June trade surplus was much higher than expected. Hence, there may be some upside risk to our call. Note that this is a "flash" estimate, based on less data than ordinary quarterly GDP data. This of course makes the outcome more uncertain. Riksbank expects Q2 GDP to print 3.2% y/y. Hence, a stronger figure is likely to support the faster rate hike path that Riksbank announced in early July.

Market movers today:

- Q2 Flash GDP in Sweden
- Euro area CPI and unemployment data
- KOF is released in Switzerland
- US Q2 GDP data.
- US: Chicago PMI and University of Michigan Confidence
- Earnings: Renault

Market overview

		07:30		1 day +/-,%
S&P500 (close)		1101,5	↓	-0,42
S&P500 fut (chng from close)		1091,7	↓	-0,48
Nikkei		9545,5	↓	-1,55
Hang Seng		20982,1	↓	-0,53
	17:00	07:30		+/-, bp
US 2y gov	0,59	0,56	↓	-3,2
US 10y gov	2,98	2,97	↓	-1,3
iTraxx Europe (IG)	99	105	↑	6,1
iTraxx Xover (Non IG)	391	481	↑	90,6
				+/-, %
EUR/USD	1,307	1,308	↑	0,04
USD/JPY	86,940	86,410	↓	-0,61
EUR/CHF	1,36	1,36	↑	0,04
EUR/GBP	0,838	0,837	↓	-0,17
EUR/SEK	9,463	9,454	↓	-0,10
EUR/NOK	7,97	7,97	↓	-0,06
				USD
Oil Brent, USD	77,7	77,5	↓	-0,36
Gold, USD	1164,4	1168,5	↑	0,35

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

From 12-30 July Danske Daily will be published in a reduced summer edition

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Key figures and events

Friday, July 30, 2010				Period	Danske Bank	*Consensus*	Previous
-	OTH	Earnings: Renault					
9:00	NOK	Unemployment	%	Jul		3.1	2.8
9:30	SEK	GDP, preliminary	q/q|y/y	2nd quarter	0.5%|3.5%	1.1%|	1.4%|3.0%
9:30	SEK	Wages (blue collars/white collars)	y/y	May			1.8%
11:00	ITL	HICP, preliminary	m/m|y/y	Jul		-0.9%|1.8%	0.1%|1.5%
11:00	EUR	CPI Flash estimate	y/y	Jul	1.7%	1.7%	1.4%
11:00	EUR	Unemployment	%	Jun	10.0	10.0	10.0
11:30	CHF	KOF Swiss leading indicator	Index	Jul		2.30	2.25
14:30	CAD	GDP	m/m	May		0.2%	0.0%
14:30	USD	GDP	q/q AR	2nd quarter	2.5%	2.5%	2.7%
14:30	USD	GDP Price Deflator	q/q	2nd quarter		1.1%	1.1%
14:30	USD	Private consumption, quarterly	q/q AR	2nd quarter	2.3%	2.4%	3.0%
14:30	USD	PCE core, quarterly	q/q	2nd quarter		1.0%	0.7%
15:45	USD	Chicago PMI	Index	Jul		56.0	59.1
15:55	USD	University of Michigan Confidence	Index	Jul		67.0	66.5

Disclosure

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First date of publication

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