

# Danske Daily

## Key news

- BoJ loosens monetary policy at an unscheduled emergency meeting this morning
- The yen weakens in response to BoJ easing
- Comments from SNB's Jordan indicate SNB follows the franc closely
- Risk appetite improves following Bernanke's speech on Friday

## Markets Overnight

**Speaking to the Fed symposium in Jackson Hole, Bernanke laid out the Fed's options.** The Fed chairman was quite dovish, seeing a "painfully slow recovery on the labour market", but he also indicated that the FOMC will do "all it can" to ensure recovery. Interestingly, he admitted a split within the FOMC, indicating that there may not be consensus on the criteria to trigger further monetary easing.

**US equities rose on Friday in response to Bernanke's pledge to safeguard the recovery.** The S&P500 index was up 1.7% on Friday, but this was not quite enough to reverse the previous days' fall. The index ended the week 0.7% lower.

**US Treasuries ended a volatile week by falling** as risk appetite improved in the wake of Bernanke's speech. Two-year yields were up 3bp, while the 10-year Treasury yield rose 17bp.

**The Bank of Japan (BoJ) held an emergency meeting this morning,** announcing an increase in the amount of money available to banks (see *Wall Street Journal*). The Bank has been facing increasing political pressure to stem the strength of the yen, which is threatening the fragile economic recovery. We have previously highlighted that BoJ action was imminent, see more background information [here](#). The initial reaction was a weakening of the yen and Asian stocks were boosted by the announcement. Since then, however, there have been signs that the market had expected a bolder move and the initial reaction has been reversed. The Nikkei index is currently up by 1.7%.

**The FX market saw the yen weaken in the wake of the BoJ emergency meeting,** causing USD/JPY to reach levels just shy of 86. However, the market seems to be little convinced that the measures announced by the BoJ will be enough to secure a floor under USD/JPY and the pair is falling back lower. **Comments from SNB Vice Chairman Jordan over the weekend indicate that the SNB continues to follow the EUR/CHF exchange rate closely.** With Jordan pointing to a "small risk of the return of deflation in the short term", the risk persists that the SNB may intervene if CHF continues its push stronger. The improvement in risk appetite has generally sent pro-cyclical currencies stronger since Friday.

## Market movers today:

- NOK: Retail sales (10:00 CET)
- USD: Personal income (14:30 CET)
- USD: Fed's Bullard speaks (19:00 CET)

## Market overview

		07:30	1 day +/- %
S&P500(close)		1064.6	↑ 1.66
S&P500 fut (chng from close)		1067.6	↑ 0.37
Nikkei		9138.7	↑ 1.64
Hang Seng		20744.4	↑ 0.71
		17:00	07:30
			+/-, bp
US 2y gov	0.53	0.53	↑ 0.0
US 10y gov	2.59	2.62	↑ 3.2
iTraxx Europe (IG)	110	118	↑ 8.5
iTraxx Xover (Non IG)	433	528	↑ 94.3
			+/-, %
EUR/USD	1.276	1.273	↓ -0.24
USD/JPY	84.890	85.370	↑ 0.57
EUR/CHF	1.31	1.31	↑ 0.36
EUR/GBP	0.823	0.820	↓ -0.35
EUR/SEK	9.379	9.394	↑ 0.16
EUR/NOK	7.99	7.95	↓ -0.46
			USD
Oil Brent, USD	75.7	76.6	↑ 1.14
Gold, USD	1240.8	1236.0	↓ -0.39

### 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:** There are no major data releases on the schedule today and the markets will likely await the more important events later this week including the ECB meeting, FOMC minutes, ISM and payrolls. The US personal spending report, however, will provide some interesting information about July spending and the revisions to the monthly data through Q2. Further, the report will show that PCE core inflation – the Fed’s preferred price measure – is running at 1.5%, which is far from deflationary levels.

**Fixed income markets:** Although Bernanke’s speech at Jackson Hole was quite dovish and clearly indicated that the central bank is ready to accommodate further if necessary, bond yields rose after the speech. That was probably because the text also reflected that further QE was still not a done deal and risk sentiment got a boost. The ricochet in US yields might be a sign that the bond rally is finally losing steam. Further momentum signals have turned bearishly across the US treasury and are trying to turn bearish in Bunds, Bobl and Schatz. We advocate caution at this stage and think it is worth to consider start reducing duration overweight in tactical positions.

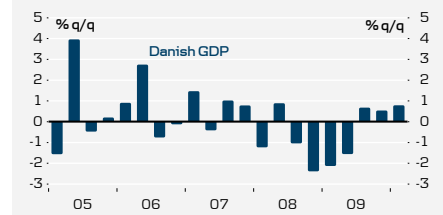
**FX markets:** Though there is little on the schedule today, the calendar is packed this week and it could be make or break for the recovery. For now, risk appetite seems supported and EUR/USD remains above 1.27. However, the technical trend is still for a weaker EUR. Market participants will also keep a close eye on the USD/JPY exchange rate, after the action taking by the BoJ.

## Scandi Daily

**Denmark:** Preliminary GDP figures for Q2 will be released. We look for 0.5% q/q rise (consensus expectation 0.3%, previous 0.8%).

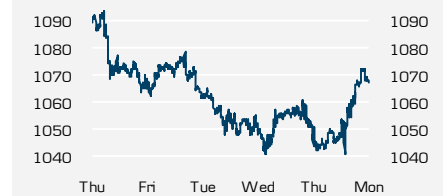
In **Norway** a heavy data calendar kicks off today. Indicators have generally surprised on the upside recently and we expect the coming week to show that the positive trend has continued in Q3 10. We expect consumer spending to have stabilised in July, with retail sales set to grow 0.8% m/m. Recent months have also shown signs of stronger household credit growth, a trend we think will continue today when the credit indicator is released. Better numbers, better risk appetite and higher oil prices indicate that NOK should get some support today. The risk is also seen on the upside for short-dated rates. Currently, the market does not price any rate hikes in Norway on a 12M horizon. We think that is too modest.

### Danish Q2 GDP today



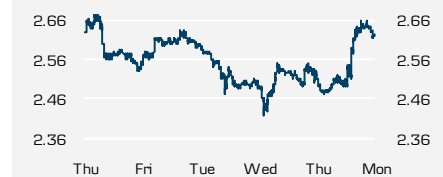
Source: Reuters Ecowin

### US S&P500 future



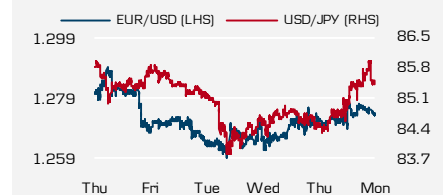
Source: Danske Markets

### US 10y gov yield



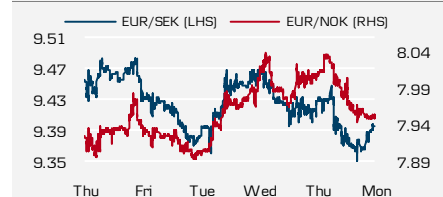
Source: Danske Markets

### Global FX



Source: Danske Markets

### Scandi FX



Source: Danske Markets

### Key figures and events

Monday, August 30, 2010		Period	Danske Bank	Consensus	Previous
9:30	DKK GDP	q/q y/y	2nd quarter	0.5% 1.7%	0.6% -0.4%
9:30	SEK Wages (blue collars/white collars)	y/y	Jun		1.5%
10:00	NOK Retail sales	m/m y/y	Jul	0.3% ...	-0.1% 2.9%
10:00	NOK Credit indicator (C2)	y/y	Jul	4.8%	4.8%
11:00	EUR Business confidence	Net balanc	Aug	-3	-4
11:00	EUR Consumer confidence	Net balanc	Aug	.12	-.12
11:00	EUR Economic Confidence	Index	Aug	99.8	101.6
14:30	CAD Current account	bn CAD	2nd quarter		-10.7
14:30	USD Private consumption expenditure, mor	m/m	Jul	0.3%	0.3%
14:30	USD Personal income	m/m	Jul	0.4%	0.3%
14:30	USD PCE core - deflator	m/m y/y	Jul	0.1% 1.5%	0.1% 1.5%
19:30	USD Fed's Bullard (voter, neutral) speaks				



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### First date of publication

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