

Danske Daily

Key news

- US stocks erase gains of the previous day
- US bond yields are pushed lower and the curve steepens
- Japanese stocks lead the decline in Asia as the yen keeps strengthening

Markets Overnight

US stocks fell, erasing most of the previous day's gain. The sentiment is likely to have been dented by a less-than-expected increase in American personal incomes.

When the closing bell rang, the US S&P500 index was down 1.5% and the decline was broad based across industries. However, the decline was most pronounced among financials and consumer discretionary stocks. Bank of America, Citigroup and Intel were among the biggest losers in yesterday's trading session.

The Asian session has been mixed although the bulk of Asian stock markets have declined. Japanese stocks led the decline as policy makers thus far have failed to rein in the strengthening Japanese currency.

Meanwhile, **US Treasuries** were in high demand among investors and they rallied strongly yet again sending the yield curve lower. The two-year maturities dropped around 5bp yesterday while ten and thirty year yields declined more than 10bp leading to a more steep US Treasury curve. US yields are roughly unchanged overnight.

In **currency markets** the fight is still on between Bank of Japan and the market participants. Thus far the attempt from Bank of Japan has failed to weaken the Japanese yen, which has continued to strengthen against most majors overnight. USD/JPY has thus continued to decline overnight to just above the 84-level. EUR/USD declined marginally overnight, while Scandies are broadly unchanged.

In **commodity markets**, oil declined below USD75/bbl, while copper rose to a fourth-month high .

Market movers today:

- Euro area: Flash CPI
- US: FOMC minutes, Chicago PMI, consumer confidence, and S&P Case-Schiller house prices

Market overview

	07:30	1 day +/-,%	
S&P500 (close)	1048.9	↓	-1.47
S&P500 fut (chg from close)	1043.4	↓	-0.16
Nikkei	8894.1	↓	-2.79
Hang Seng	20513.1	↓	-1.08
	17:00	07:30	+/-, bp
US 2y gov	0.50	0.49	↓ -0.8
US 10y gov	2.57	2.52	↓ -5.0
iTraxx Europe (IG)	110	118	↑ 7.6
iTraxx Xover (Non IG)	434	527	↑ 93.7
			+/-,%
EUR/USD	1.269	1.266	↓ -0.26
USD/JPY	84.750	84.260	↓ -0.58
EUR/CHF	1.30	1.30	↓ -0.43
EUR/GBP	0.820	0.819	↓ -0.16
EUR/SEK	9.370	9.377	↑ 0.07
EUR/NOK	7.98	7.97	↓ -0.02
			USD
Oil Brent, USD	76.5	76.0	↓ -0.65
Gold, USD	1236.3	1236.3	↑ 0.00

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: Today's European flash CPI is expected to confirm that inflationary pressures remain moderate. In the US, the Chicago PMI will provide the last piece of detailed information from regional surveys ahead of the ISM release Wednesday. So far regional indices have been falling in August and we do not expect an exception today. Conference Board consumer confidence is expected to show some improvement, but from still depressed levels. Most interesting, however, will be the FOMC minutes released tonight. It will reveal important information about the level of disagreement among Fed members and it will hopefully provide more information about exactly how high the bar is set for further Fed QE.

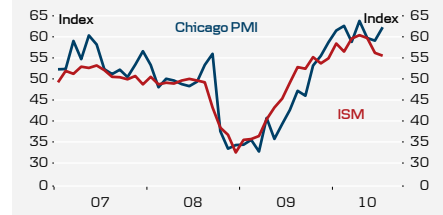
Fixed income markets: Following past week's rally we have changed our tactical overweight on duration to neutral and removed our tactical flattener positions. Today focus will be on the incoming US data, but also on the FOMC minutes, which could be decisive for the overall direction. In his Jackson Hole speech Bernanke said that further QE was still not a done deal and that no triggers for such action had yet been specified. It is our impression that the minutes will reveal a very divided committee. Hence, the risk is that the market could be slightly disappointed and might scale its expectations for QE back a bit.

FX markets: Monetary easing is usually currency negative in the short term. Yet this is not what we see for the Japanese yen at the moment, where additional quantitative easing has failed to stabilize the yen. USD/JPY is back to testing 84 and EUR/JPY is trading below 107. The policy action by the Bank of Japan was an important signal to the market, but is too little to hold back the yen in an environment of slower global growth and deteriorating risk appetite. With both the US ISM indicator and non-farm payrolls expected to weaken when released later this week we could see further JPY support and the JPY-crosses testing new lows - before prompting a further policy response. The same story for the Swiss franc, where EUR/CHF is likely to see new lows in the coming weeks.

Scandi Daily

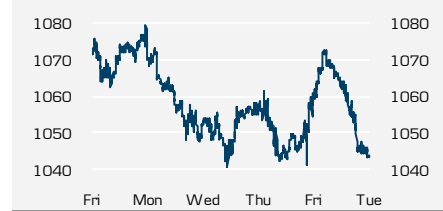
There are no major data releases in the Scandi markets today.

Chicago PMI



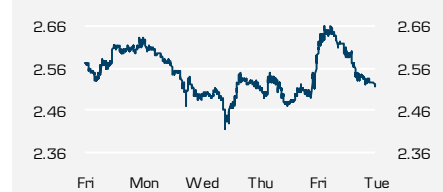
Source: Reuters Ecowin

US S&P500 future



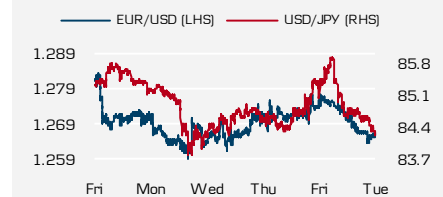
Source: Danske Markets

US 10y gov yield



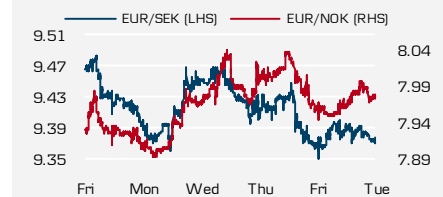
Source: Danske Markets

Global FX



Source: Danske Markets

Scandi FX



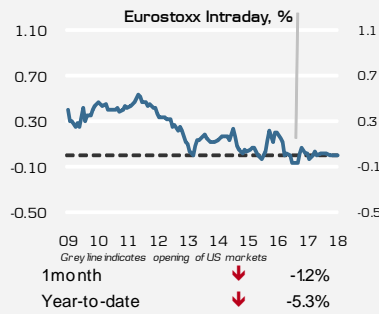
Source: Danske Markets

Key figures and events

Tuesday, August 31, 2010				Period	Danske Bank	Consensus	Previous
8:00	CHF	Consumption indicator	Index	Jul			1.810
9:55	DEM	Unemployment rate	% (1000)	Aug	7.6% [-15]	7.6% [-20]	7.6% [-20]
10:30	GBP	Net Consumer Credit	GBP bn	Jul			-0.1
10:30	GBP	Mortgage Approvals	1,000	Jul			47.6
10:30	GBP	Broad money M4, final	m/m/y/y	Jul			0.4%[2.3%
11:00	EUR	ECB Announces Allotment in 7-Day Refinancing Tender					
11:00	EUR	CPI Flash estimate	m/m/y/y	Aug	..[1.6%	..[1.6%	..[1.7%
11:00	EUR	Unemployment	%	Aug	10.0%	10.0%	10.0%
14:30	CAD	GDP	m/m	Jun		0.2%	0.1%
14:30	CAD	GDP	q/q [ann.]	2nd quarter		3.2%	6.1%
15:00	USD	S&P case shiller house prices (20-cities)				0.2%[3.55%	0.47%[4.61%
16:00	USD	Chicago PMI	Index	Aug	56.8	57	62.3
16:00	USD	Consumer confidence	Index	Aug	51.4	50.7	50.4
20:00	USD	Minutes from FOMC meeting					

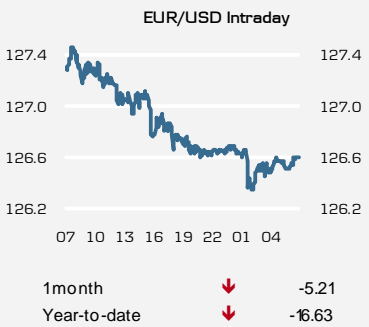
Today's market data: 31 August 2010

STOCKS



Index	Close	Change	%
DJSTOXX50	2447	↓	0.0%
OMXC20	394	↑	0.1%
OMXS30	1009	↓	-1.0%
OSE BX	352	↑	0.0%
DOW JONES	10010	↓	-1.4%
NASDAQ	2120	↓	-1.6%
S&P 500	1049	↓	-1.5%
NIKKEI (07:30)	8894	↓	0.0%

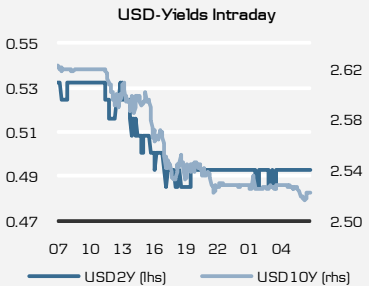
FX & COMMODITIES



EUR	17:00	07:30	Change
USD	126.91	126.58	↓ -0.33
JPY	107.56	106.67	↓ -0.89
GBP	82.00	81.86	↓ -0.13
NOK	797.66	797.48	↓ -0.18
SEK	937.01	937.67	↑ 0.66
DKK	744.63	744.61	↓ -0.02
PLN	398.28	399.60	↑ 1.32
USD	17:00	07:30	Change
JPY	84.75	84.26	↓ -0.49
GBP	154.76	154.63	↓ -0.13
CHF	102.48	102.31	↓ -0.17

Oil, \$	Gold, \$
Brent, \$	1236.25
1day	↓ -0.73
1month	↑ 55.25
Year-t-date	↑ 139.30
CRB	CRB, Raw
1M future	267.76
1day	↑ 0.49
1month	↓ -6.59
Year-t-date	↓ -15.62
Industrials	503.34
1day	↑ 2.47
1month	↑ 24.28
Year-t-date	↑ 19.85

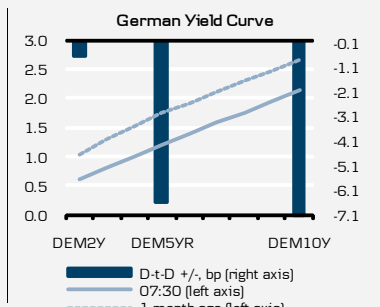
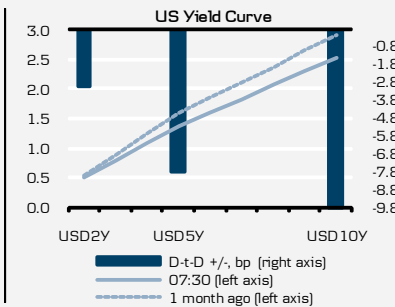
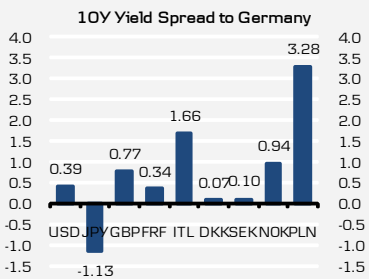
YIELDS & INTEREST RATES



Policy Rate	3M	Spread, bp	
USD	0.25	0.30	5
EUR	1.00	0.89	-11
GBP	0.50	0.73	23
DKK	1.05	1.16	11
SEK	0.50	1.08	58
NOK	2.00	2.67	67
PLN	3.50	3.71	21

Yield	17:00	07:30	Change
USD 10Y	2.57	2.52	↓ -5
USD 30Y	3.63	3.57	↓ -6
JPY 10Y	103	101	↓ -2
07:30(-1)*	17:00	Change	
DEM 10Y	2.21	2.14	↓ -7
DKK 10Y	2.22	2.20	↓ -1
SEK 10Y	2.25	2.24	↓ -1
NOK 10Y	3.08	3.08	↑ 0
PLN 10Y	5.41	5.43	↑ 2

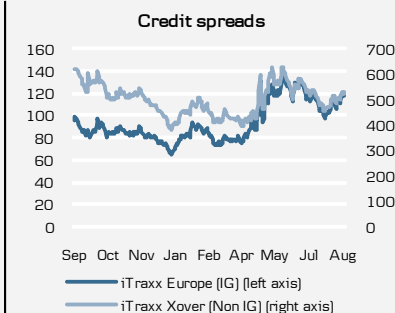
* As of closing previous trading day



Credit spread, iTraxx s. 11*

	07:30	1day	1month
Europe (IG)	118	↓ 0	↑ 17
HiVol	178	↑ 0	↑ 32
Xover (N-IG)	527	↓ -1	↑ 68
Finan. Sr.	143	↑ 0	↑ 35
Finan. Sub.	210	↑ 0	↑ 43
Non-finan.	210	↑ 0	↑ 43

* Ask price



Swap Spread, bp**

	17:00	07:30	Change
USD 10Y	2	2	↑ 0
JPY 10Y		8	
07:30(-1)*	17:00	Change	
EUR 10Y	21	22	↑ 1
DKK 10Y	31	32	↑ 1
SEK 10Y	23	26	↑ 4
NOK 10Y	60	59	↓ 0

* As of closing previous trading day

** Ask price

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First date of publication

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