

Danske Daily

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Today's key points

- **Asian stock markets are still rising despite a string of poor economic data out of Japan indicating that Japan's recession has deepened**
- **No major movements in major currencies or Scandi currencies against th**
- **Key events: CPI flash estimate from Euroland.**

Markets Overnight

The US markets were closed yesterday due to Thanksgiving.

Japanese data released this morning indicated that Japan's recession deepened last month as companies cut production, consumers spent less and fewer people looked for work.

Factory output fell 3.1% in October, while household spending slid 3.8%, the eighth consecutive drop. Companies surveyed said they plan the sharpest production cuts in 35 years as exports decline in the wake of the worst financial crisis since the Great Depression

Despite the weak data out of Japan, Asian stocks rose, extending the biggest weekly advance this month, on optimism centred on steps by governments to pull the world's economy out of recession. The Nikkei is up 0.7% and the Hang Seng is up 2.2% this morning.

Currency markets have been range trading this morning with EUR/USD trading around the 129-level, USD/JPY trading around the 95-95.5. SEK and NOK currencies have been trading at 10.27 and 8.95 levels against EUR.

Today's events		Period	Our forecast	Consensus	Latest
00:15	NOK Speech by Qvigstad, Norges Bank				
00:30	JPY Manufacturing PMI	Index			42.2
00:30	JPY Jobless Rate	%	4.1%	4.2%	4.0%
00:30	JPY Job-to-applicant ratio			0.83	0.84
00:30	JPY Household Spending	y/y		-3.3%	-2.3%
00:30	JPY CPI - Tokyo	y/y		1.2%	1.2%
00:30	JPY CPI - Tokyo Ex Fresh Food	y/y		1.5%	1.5%
00:30	JPY CPI - National	y/y	1.8%	1.8%	2.1%
00:30	JPY CPI - National Ex. Fresh Food	y/y	1.9%	1.9%	2.3%
00:50	JPY Retail trade	m/mly/y		-0.9%	-0.5% -0.4%
00:50	JPY Industrial production, preliminary	m/mly/y	-0.3% -7.2%	0.2% -6.7%	1.1% -2.7%
01:01	GBP Gfk Consumer confidence	Index		-36	-36
01:30	AUD Private sector credit	m/mly/y			0.7% 10.1%
02:00	AUD New Home Sales				-1.8%
06:00	JPY Housing starts	y/y		30.3%	54.2%
06:00	JPY Business conditions indices small	Index			37.6
09:15	ESP HICP, preliminary	m/mly/y			.. 3.6%
09:30	DKK PMI Manufacturing	Index			-12
09:30	SEK GDP	q/qly/y	3rd quarter	.. -0.7%	0.0% 0.6%
10:00	NOK Norges Bank purchase of currency	M. a day	Dec	0	300
10:00	NOK Wage index, manufacturing	q/q	1st quarter		1.7%
10:00	PLN Gross domestic product	y/y	3rd quarter	4.7%	4.9%
11:00	ITL HICP, preliminary	m/mly/y	Sep		-0.1% 3.1%
11:00	EUR Unemployment	%	Oct		7.6
11:00	EUR CPI Flash estimate	y/y	Nov	2.4%	2.5%
11:30	CHF KOF Swiss leading indicator		Nov		0.20
12:00	LVL Retail sales	y/y	Oct	-13.6%	-13.4%
12:00	GBP Distributive Trades report				
14:30	CAD Industrial product price	% m/m	Oct		-1.1
14:30	CAD Current account	C\$ bn	3rd quarter		5.1

Global Daily

The focus of attention in fixed income markets remain on how deep and how long the downside is set to be. Over the week various rescue packages have helped to prop up sentiment. Going forward, focus will remain on policy initiatives, with macro data taking the back seat.

Although today's November flash CPI estimate from Euroland (released 11:00 CET) is likely attract some attention, we doubt that it will have any significant market impact as focus is elsewhere. We look for 2.4% reading in line with consensus expectations. Going forward consumer price inflation will fall rapidly reaching an expected low 0.3% by mid next year. Along with the recent very disappointing growth data, that will pave the way for aggressive ECB easing. Aside from the inflation data the eurozone October unemployment rate, also released at 11:00 CET today, is likely to reach 7.6%, up from 7.5%.

There are no major US key events today. Expect thin US markets as it is the Friday after Thanksgiving.

Overnight Asian markets have been positive. Along with some minor upward drift in US 2-year treasury yields, this is likely to add some upward pressure at the short-end of the yield curve in Euroland. At the long-end the further descent of long US bond yields is likely to continue to spill into the European curve.

Note that on Saturday, Opec ministers are scheduled to meet to discuss further production cuts in an attempt to stabilise the oil price. Opec has already cut production by 2 million barrels over the past two months, but with no visible effect.

With relatively few data impulses to trade on and Thanksgiving weekend in the US, action is probably going to be somewhat limited on the currency market - which is likely looking more to the "central bank intense" week ahead. Thus, we do not expect Euroland unemployment and flash HICP today to significantly move the euro, which appears to have temporarily settled in the high 1.20s against the US dollar. At 11:30 the KOF leading indicator will attract some attention in Switzerland. The consensus expectation is for yet another fall to a downbeat reading of 0.20. While EUR/CHF is likely to trade more on today's movement on the equity markets, a meaningful negative surprise in the KOF could fuel speculations about further monetary easing by the SNB

and thus leave some pressure on CHF. Fundamentally, however, we still see value in CHF against EUR, although the current elevated volatility in the cross reduces the potential for strategies reflecting this view.

Scandi Daily

There are no data releases in Scandinavia today.

Fixed Income

	17:00	07:30		+/-, bp
USD 10Y	2.98	2.94	↓	-4
USD 30Y	3.52	3.52	↓	-1
JPY 10Y	1.38	1.40	↑	2
	07:30(-1)*	17:00		+/-, bp
DEM 10Y	3.28	3.30	↑	1
DKK 10Y	4.92	4.92	↑	0
SEK 10Y	2.93	2.94	↑	1
NOK 10Y	4.00	3.99	↓	-1
PLN 10Y	5.98	5.99	↑	1

* As of closing previous trading day

FX

	17:00	07:30		+/-
EUR				
USD	128.73	129.22	↑	0.49
JPY	123.05	123.18	↑	0.13
GBP	83.54	83.79	↑	0.25
NOK	894.80	895.16	↑	0.36
SEK	1032.00	1028.40	↓	-3.60
DKK	745.16	745.13	↓	-0.03
PLN	376.42	376.04	↓	-0.38
USD	17:00	07:30		+/-
JPY	95.57	95.33	↓	-0.24
GBP	154.12	154.20	↑	0.08
CHF	120.14	119.95	↓	-0.19

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