

Danske Daily

Key news

- Chinese and Japanese service PMIs improved slightly in January
- Greek Finance Minister Venizelos says the ECB should be part of a debt relief and that an agreement must be struck “in the next three or four days at the most”.
- Main release today is US non-farm payrolls where we look for a below-consensus reading following the strong rise in December.

Markets Overnight

In China the HSBC Service PMI in January improved slightly from 51.5 to 51.9 and in line with the manufacturing PMIs released earlier this week, this suggests that the Chinese economy has started to stabilize and is avoiding a hard landing. In Japan service PMI in January also improved slightly from 50.2 to 50.7.

Greek Finance Minister Evangelos Venizelos said yesterday that the ECB should be part of a debt relief and that an agreement must be struck “in the next three or four days at the most”. PASOK leader Papandreou insists that banks will get nationalised. A deal with the Troika on necessary reform measures seems very close.

The Spanish government now expects that it will need EUR50bn in order to bolster banks in a process that is set to last one year.

Deutsche Bank CEO Josef Ackermann sees risk of stigma on ECB loans stating that because of reputational risk he expects the bank to avoid using this month's 36-month LTRO. According to US Fed's Fisher “we are beginning to see more loan demand” and “more QE would complicate FED exit strategy”.

US **equity markets** saw robust gains early in the session, but then fell back partly due to weak earnings data while waiting for today's non-farm payrolls. Dow Jones and S&P500 ended the session broadly unchanged while Nasdaq was up 0.40%. In the Asian session the Nikkei index fell 0.5%. The S&P500 future is slightly down this morning.

US **bond yields** fell with the curve flattening slightly on speculation that today's employment report will support the Fed view that the economy needs support from low rates to sustain the expansion.

FX markets saw the euro decline on concerns about Greek debt talks dragging out. The Swiss National Bank's acting chairman Jordan said that the bank has come under increasing political pressure over the cost of interventions, which could damage the central bank's independence, but he also said that the SNB is ready to buy foreign currency in unlimited amounts if necessary. Overnight the Swiss franc has weakened slightly against the euro to around 1.2055. Japan's finance minister Azumi said that he is strongly concerned that one-sided yen rises do not reflect economic fundamentals.

The price of WTI crude oil fell to a six-week low after US government data showed that supply rose while demand fell. Brent remained high causing the Brent-WTI to widen.

Market movers today:

- US non-farm payrolls (14:30 CET)
- ISM non-manufacturing (16:00 CET)
- European final service PMIs

Market overview

	07:30	1 day +/- %	
S&P500 (close)	1325.5	↑	0.11
S&P500 fut (chng from close)	1322.5	↓	-0.02
Nikkei	8837.8	↓	-0.44
Hang Seng	20778.9	↑	0.19
	17:00	07:30	+/-, bp
US 2y gov	0.22	0.22	↓ -0.4
US 10y gov	1.84	1.82	↓ -1.6
iTraxx Europe (IG)	135	135	↑ 0.3
iTraxx Xover (Non IG)	579	580	↑ 0.8
			+/-, %
EUR/USD	1.318	1.315	↓ -0.24
USD/JPY	76.180	76.200	↑ 0.03
EUR/CHF	1.20	1.21	↑ 0.11
EUR/GBP	0.832	0.831	↓ -0.15
EUR/SEK	8.876	8.847	↓ -0.32
EUR/NOK	7.66	7.66	↑ 0.00
			USD
Oil Brent, USD	112.3	112.4	↑ 0.12
Gold, USD	1760.5	1757.6	↓ -0.16

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

Senior Economist
Frank Øland Hansen
+45128526
franh@danskebank.dk

Global Daily

Focus today: Main release will be US non-farm payrolls where we look for a below-consensus number of +135k (consensus 145k) following the strong 200k rise in December. Many factors were pushing the December number up and some reversal of these factors is expected to weigh on today's number. Firstly, the weather was mild in December which boosted construction employment. Secondly, employment in transportation was boosted by internet sales for Christmas. As this is a fairly new phenomenon it is not captured right by the seasonal adjustment. Thirdly, government jobs were less negative than trend, which gives some risk of payback in January. The trend in payrolls is still expected to be around 150k rising to 150-200k in coming quarters. Other data today will be PMI service in Europe, Euro retail sales and ISM service.

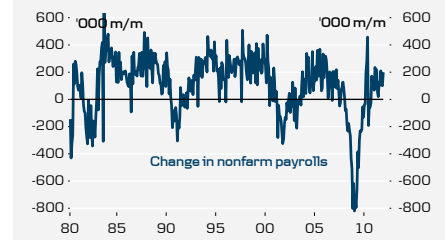
Fixed income markets: Fed Chairman Ben Bernanke said nothing new at yesterday's Congressional testimony and his comments on monetary policy were basically a replay of the latest FOMC statement. Today's non-farm payrolls report should support our view that US growth will continue at a moderate pace around 2.5% resulting in higher yields and steeper curves in the US. In the EUR bond space France and in particular Italy continue to perform well. In both countries the 2-10yr curves steepened further and are close to record highs. France successfully sold EUR8bn of bonds yesterday. Meanwhile Spain underperformed with EUR4.5bn worth of bonds coming to the markets. Apart from the bulk of data coming out today, the ongoing discussions about the details on the Greek PSI will dominate. This issue keeps dragging out and the final agreement could still be some days away. Completion of the PSI should remove near-term default risk.

FX markets: Today the FX market will keep a close eye on the labour market report. Our slightly below-consensus forecast could be negative for risk appetite, thereby lending support to the dollar. We therefore see downside risk to EUR/USD today not least as it seems that Greece is struggling to reach an agreement with its creditors. In general the risk of a correction in risk currencies is growing after the latest very impressive rally. We also continue to keep a close eye on USD/JPY that trades close to the level that triggered strong intervention in October last year. We see value in option strategies that benefit from a move higher in USD/JPY.

Scandi Daily

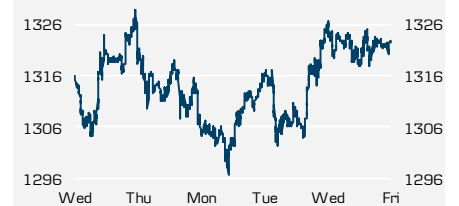
No major Scandi data releases today.

Nonfarm payrolls



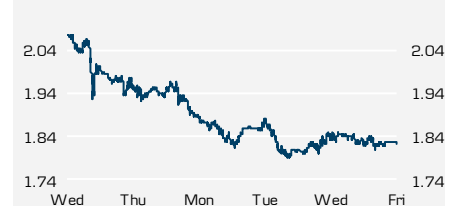
Source: Reuters EcoWin

US S&P500 future



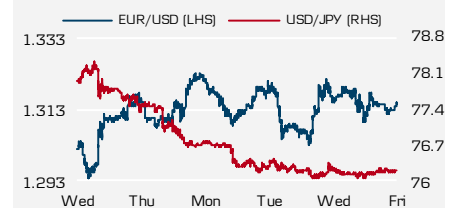
Source: Danske Markets

US 10y gov yield



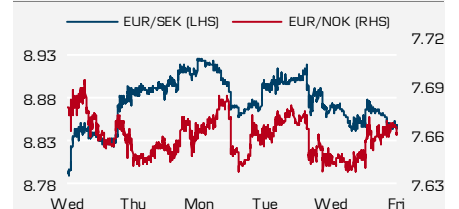
Source: Danske Markets

Global FX



Source: Danske Markets

Scandi FX



Source: Danske Markets

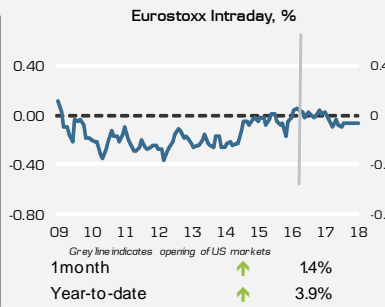
Key figures and events

Friday, February 3, 2012		Period	Danske Bank	Consensus	Previous	
9:15	ESP	PMI service	Index	jan	43.0	42.1
9:45	ITL	PMI service	Index	jan	45.1	44.5
9:50	FRF	PMI Services, final	Index	Jan	51.7	51.7
9:55	DEM	PMI Services, final	Index	Jan	54.6	54.5
10:00	EUR	PMI Composite, final	Index	Jan	50.5	50.4
10:00	EUR	PMI Services, final	Index	Jan	50.5	50.5
10:30	GBP	PMI Service	index	Jan	53.0	54.0
11:00	ITL	HICP, preliminary	m/m y/y	Jan	-1.8% 3.4%	0.3% 3.7%
11:00	EUR	Retail sales	m/m y/y	Dec	0.3% ...	0.3% -1.3%
14:30	USD	Change in Nonfarm payroll	1000	Jan	135	145
14:30	USD	Change in Private Payrolls	1000	Jan	150	212
14:30	USD	Change in Manufacturing Payrolls	1000	Jan	13	23
14:30	USD	Unemployment Rate	%	Jan	8.5%	8.5%
14:30	USD	Average hourly earnings	m/m y/y	Jan	0.2% ...	0.2% 2.1%
14:30	USD	Average Weekly Hours	hours	Jan	34.4	34.4
16:00	USD	ISM non-manufacturing	Index	Jan	53.4	52.6
16:00	USD	Factory Orders	m/m	Dec	1.1%	1.8%

Source: Bloomberg and Danske Markets

Today's market data: 03 February 2012

STOCKS



DJSTOXX50	2462	↓	-0.1%
OM XC20	424	↑	18%
OM XS30	1066	↑	0.1%
OSE BX	405	↑	0.0%
Close +/-			
DOW JONES	12705	↓	-0.1%
NASDAQ	2860	↑	0.4%
S&P500	1326	↑	0.1%
NIKKEI (07:30)	8838	↓	-0.1%

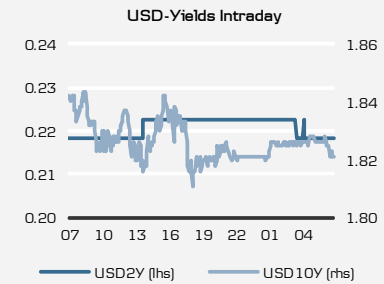
FX & COMMODITIES



EUR	17:00	07:30	+/-
USD	13179	13147	↓ -0.32
JPY	100.40	100.18	↓ -0.22
GBP	83.22	83.10	↓ -0.12
NOK	766.19	766.21	↑ 0.02
SEK	887.56	884.68	↓ -2.88
DKK	743.32	743.29	↓ -0.03
PLN	418.84	419.18	↑ 0.34
USD	17:00	07:30	+/-
JPY	76.18	76.20	↑ 0.02
GBP	158.37	158.21	↓ -0.16
CHF	9140	9172	↑ 0.32

Oil, Brent, \$	07:30	1757.63		12.42
1day	↓	-185	↑	0.35
1month	↑	154.13	↑	0.29
Year-t-date	↑	193.93	↑	5.04
CRB, Raw Industrials	07:30	310.90		547.99
1day	↓	-0.63	↑	0.47
1month	↓	-2.47	↑	31.15
Year-t-date	↑	5.60	↑	31.15

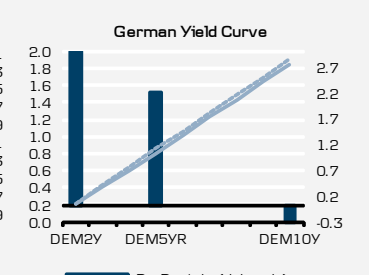
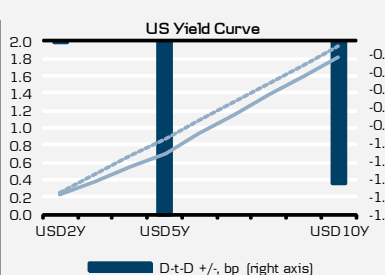
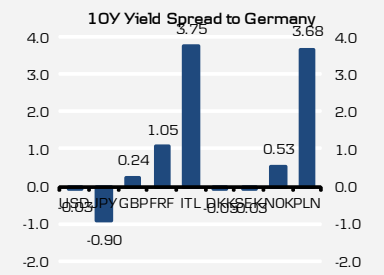
YIELDS & INTEREST RATES



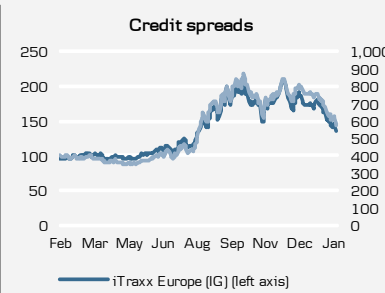
Policy Rate	3M	Spread, bp	
USD	0.25	0.53	28
EUR	100	1.11	11
GBP	0.50	1.08	58
DKK	0.70	1.00	30
SEK	175	2.56	81
NOK	175	2.69	94
PLN	4.50	4.88	38

USD 10Y	17:00	184	182	↓	-2
USD 30Y	3.02	3.01	↓	-1	
JPY 10Y	0.96	0.95	↓	-1	
07:30(-1)* 17:00 +/-, bp					
DEM 10Y	186	186	↑	1	
DKK 10Y	180	181	↑	1	
SEK 10Y	0.00	181	↑	181	
NOK 10Y	#N/A	N/A	2.38		
PLN 10Y	5.53	5.54	↑	0	

* As of closing previous trading day



Credit spread, iTraxx s. 11*	07:30	1day	1month
Europe (IG)	135	↓ -2	↓ -34
HiVol	206	↓ -5	↓ -61
Xover (N-IG)	580	↓ -6	↓ -158
Finan. Sr.	204	↓ -6	↓ -61
Finan. Sub.	353	↓ -10	↓ -140
Non-finan.	93	↓ -1	↓ -15



Swap Spread, bp**	17:00	07:30	+/-
USD 10Y	10	10	↑ 0
JPY 10Y	1	2	↑ 2
07:30(-1)* 17:00 +/-			
EUR 10Y	41	42	↑ 1
DKK 10Y	46	47	↑ 1
SEK 10Y	59	59	↓ -1
NOK 10Y			

* As of closing previous trading day

** Ask price

Source: Bloomberg

7:30(-1) og 17:00 refers to the previous (trade) day

Disclosure

This research report has been prepared by Danske Research, a division of Danske Bank A/S ("Danske Bank").

Analyst certification

Each research analyst responsible for the content of this research report certifies that the views expressed in the research report accurately reflect the research analyst's personal view about the financial instruments and issuers covered by the research report. Each responsible research analyst further certifies that no part of the compensation of the research analyst was, is or will be, directly or indirectly, related to the specific recommendations expressed in the research report.

Regulation

Danske Bank is authorized and subject to regulation by the Danish Financial Supervisory Authority and is subject to the rules and regulation of the relevant regulators in all other jurisdictions where it conducts business. Danske Bank is subject to limited regulation by the Financial Services Authority (UK). Details on the extent of the regulation by the Financial Services Authority are available from Danske Bank upon request.

The research reports of Danske Bank are prepared in accordance with the Danish Society of Financial Analysts' rules of ethics and the recommendations of the Danish Securities Dealers Association.

Conflicts of interest

Danske Bank has established procedures to prevent conflicts of interest and to ensure the provision of high quality research based on research objectivity and independence. These procedures are documented in the research policies of Danske Bank. Employees within the Danske Bank Research Departments have been instructed that any request that might impair the objectivity and independence of research shall be referred to the Research Management and the Compliance Department. Danske Bank Research Departments are organised independently from and do not report to other business areas within Danske Bank.

Research analysts are remunerated in part based on the over-all profitability of Danske Bank, which includes investment banking revenues, but do not receive bonuses or other remuneration linked to specific corporate finance or debt capital transactions.

Financial models and/or methodology used in this research report

Calculations and presentations in this research report are based on standard econometric tools and methodology as well as publicly available statistics for each individual security, issuer and/or country. Documentation can be obtained from the authors upon request.

Risk warning

Major risks connected with recommendations or opinions in this research report, including as sensitivity analysis of relevant assumptions, are stated throughout the text.

Expected updates

Danske Daily is updated on a daily basis.

First date of publication

Please see the front page of this research report for the first date of publication. Price-related data is calculated using the closing price from the day before publication.

General disclaimer

This research has been prepared by Danske Markets (a division of Danske Bank A/S). It is provided for informational purposes only. It does not constitute or form part of, and shall under no circumstances be considered as, an offer to sell or a solicitation of an offer to purchase or sell any relevant financial instruments (i.e. financial instruments mentioned herein or other financial instruments of any issuer mentioned herein and/or options, warrants, rights or other interests with respect to any such financial instruments) ("Relevant Financial Instruments").

The research report has been prepared independently and solely on the basis of publicly available information which Danske Bank considers to be reliable. Whilst reasonable care has been taken to ensure that its contents are not untrue or misleading, no representation is made as to its accuracy or completeness, and Danske Bank, its affiliates and subsidiaries accept no liability whatsoever for any direct or consequential loss, including without limitation any loss of profits, arising from reliance on this research report.

The opinions expressed herein are the opinions of the research analysts responsible for the research report and reflect their judgment as of the date hereof. These opinions are subject to change, and Danske Bank does not undertake to notify any recipient of this research report of any such change nor of any other changes related to the information provided in the research report.

This research report is not intended for retail customers in the United Kingdom or the United States.

This research report is protected by copyright and is intended solely for the designated addressee. It may not be reproduced or distributed, in whole or in part, by any recipient for any purpose without Danske Bank's prior written consent.

Disclaimer related to distribution in the United States

This research report is distributed in the United States by Danske Markets Inc., a U.S. registered broker-dealer and subsidiary of Danske Bank, pursuant to SEC Rule 15a-6 and related interpretations issued by the U.S. Securities and Exchange Commission. The research report is intended for distribution in the United States solely to "U.S. institutional investors" as defined in SEC Rule 15a-6. Danske Markets Inc. accepts responsibility for this research report in connection with distribution in the United States solely to "U.S. institutional investors".

Danske Bank is not subject to U.S. rules with regard to the preparation of research reports and the independence of research analysts. In addition, the research analysts of Danske Bank who have prepared this research report are not registered or qualified as research analysts with the NYSE or FINRA, but satisfy the applicable requirements of a non-U.S. jurisdiction.

Any U.S. investor recipient of this research report who wishes to purchase or sell any Relevant Financial Instrument may do so only by contacting Danske Markets Inc. directly and should be aware that investing in non-U.S. financial instruments may entail certain risks. Financial instruments of non-U.S. issuers may not be registered with the U.S. Securities and Exchange Commission and may not be subject to the reporting and auditing standards of the U.S. Securities and Exchange Commission.