

Danske Daily

Key news

- Pro-referendum parties win elections in Catalonia.
- Bank of Japan minutes show that two new members voted for more dovish wording.
- EU leaders urge deal on Greece but postpone EU budget deal to 2013.

Markets Overnight

Elections in Catalonia ended with pro-referendum parties winning the majority of votes. Catalan president Artur Mas's *Convergència i Unió (CiU)* party won 50 out of 135 seats, down from 62 seats previously but Mas is expected to remain president. Other parties supporting a referendum won enough votes (37 seats) to form a majority with CiU. Thus a referendum, which Mas had promised to hold within four years, may take place. Spain considers a referendum unconstitutional and Catalonia is highly indebted, so actually achieving independence will prove complicated.

Bank of Japan minutes reveal that the two new members voted for a more expansionary stance, favouring that aggressive easing continues until the 1% inflation target 'has been steadily maintained' rather than 'until it judges the 1% goal is in sight'.

ECB executive board member Jörg Asmussen was quoted in German *Bild*, saying that a package to close Greece's financing gap should include 'a significant reduction of interest rates on the aid loans and a debt buyback by Greece', while a debt write-off should not be included. During the weekend several politicians have emphasised the urgency of reaching an agreement on Greece at today's Eurogroup meeting.

EU leaders were unable to reach a deal on the EU budget framework for 2014-20 and decided to postpone final negotiations to 2013. With many countries having ultimate demands and with national interest being important for domestic political reasons more than for real economic reasons, it was hardly a surprise that a deal could not be reached yet. Talks will probably be resumed in February 2013.

Equity markets gained in Friday's shortened US session with S&P 500 rising 1.3% resulting in the biggest weekly gain (3.6%) since June and the second best week this year. Dow Jones and Nasdaq both rose 1.4%. The positive sentiment continued in this morning's Asian session with Nikkei up 0.7% and Hang Seng unchanged on news that sales in the US's four-day Thanksgiving weekend jumped 13% and on hopes that a deal on Greece will be reached at the extraordinary Eurogroup meeting today.

US bond yields ended almost unchanged with a very slight steepening as two-year yields were unchanged and the 10-year treasury yields rose 1bp to 1.69%.

In the **FX markets** EUR/USD briefly strengthened to a peak level of 1.2991 on Friday evening on signs of a rebound in German confidence and expectations of a deal on Greece. EUR/USD has weakened to 1.296 this morning on political uncertainty in Spain.

Market movers today:

- Extraordinary Eurogroup meeting about Greece

Market overview

	07:30	1 day +/-,%	
S&P500 (close)	1409,2	↑	1,30
S&P500 fut (chg from close)	1400,1	↓	-0,37
Nikkei	9394,6	↑	0,30
Hang Seng	21853,1	↓	-0,28
	17:00	07:30	+/-, bp
US 2y gov	0,27	0,27	↓ -0,4
US 10y gov	1,68	1,67	↓ -1,4
iTraxx Europe (IG)	121	122	↑ 0,5
iTraxx Xover (Non IG)	497	498	↑ 1,3
			+/-, %
EUR/USD	1,296	1,296	↓ -0,01
USD/JPY	82,360	82,140	↓ -0,27
EUR/CHF	1,20	1,20	↓ -0,08
EUR/GBP	0,809	0,809	↓ -0,09
EUR/SEK	8,589	8,592	↑ 0,04
EUR/NOK	7,34	7,35	↑ 0,15
			USD
Oil Brent, USD	111,3	111,2	↓ -0,14
Gold, USD	1746,8	1750,6	↑ 0,21

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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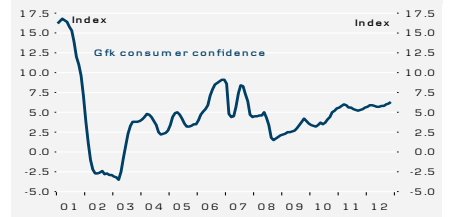
Global Daily

Focus today is on the extraordinary Eurogroup meeting where EU finance ministers and the IMF will try to reach an agreement on the 2020/22 target for Greek debt and initiatives needed to achieve this target, which should pave the way for the disbursement of the next loan tranche to Greece. The EU and IMF were unable to find a compromise at last week's meeting but it seems that IMF has softened its stance on the debt level to be reached in 2020, which increases the likelihood that an agreement can now be reached. A deal will probably include lower rates on official loans from EU and IMF to Greece and a Greek debt buyback of bonds issued in March, which will help to lower the nominal debt. In the US congressional aides may present their proposal for a deal on the fiscal cliff on Wednesday. There are still fundamental differences between the plans that Republicans and Democrats consider to be optimal. Hence, negotiations are likely to continue over the coming weeks.

Fixed income markets. Peripheral bond markets continue to show strength despite a string of bad headlines last week. Meanwhile the minor correction higher in yields in core rates markets appears to be have been mostly technical driven. Today the sentiment will be correlated with the prospects of finding a sustainable model for Greece – this model should involve the official sectors taking losses on their loans to Greece. In our view the markets are pricing in that progress will be made, if not today, then in the near future. In the US, President Obama is back after travelling in Asia last week and we therefore expect more focus on the fiscal cliff negotiations than in the preceding week as he meets with congressional leaders. We would not be surprised to see a flare-up in disagreement over the coming weeks. This week will see decent issuance from EUR issuers. Belgium will kick off the week printing EUR2-3bn in the 5-10Y space. These segments have been largely flat versus Germany over the past week, while we have seen solid performance in Spain and Italy. This should bode well for today's Belgian auctions.

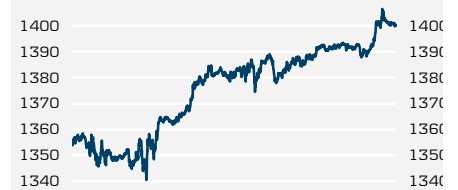
In the **FX markets** all focus will be on the extraordinary Eurogroup meeting. The latest move higher in EUR/USD underlines in our view that the market sees a high probability that a solution will be found. Hence, the market reaction to a breakdown of the talks will be much more severe than the reaction to an 'expected' solution. The Catalanian election might weigh on the euro today. Note that the so-called CFTC data due to the Thanksgiving holiday were not as usual released on Friday. They will be released tonight at 22:00 CET. The FX markets will also use the day to scrutinise the Bank of Japan minutes published this morning to see if the latest move higher in USD/JPY and EUR/JPY is justified.

German consumer confidence



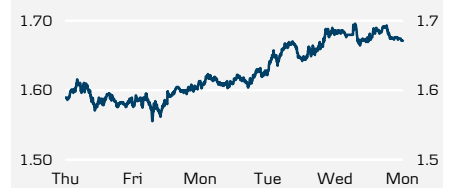
Source: Reuters EcoWin

US S&P500 future



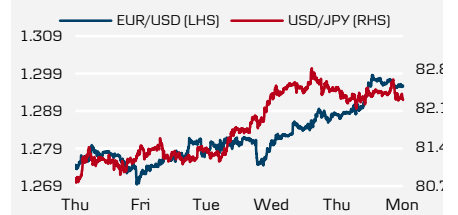
Source: Danske Bank Markets

US 10y gov yield



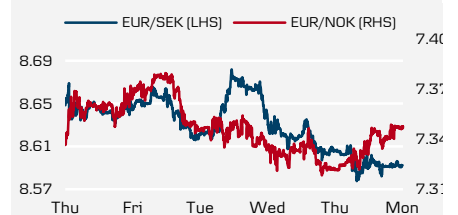
Source: Danske Bank Markets

Global FX



Source: Danske Bank Markets

Scandi FX



Source: Danske Bank Markets

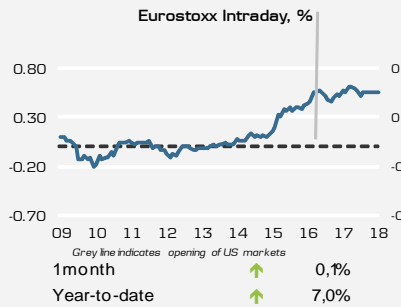
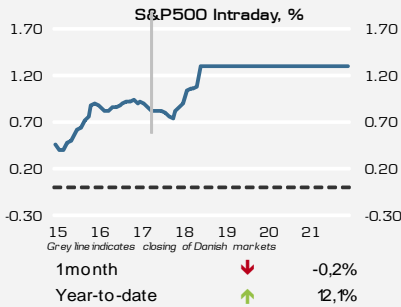
Key figures and events

Monday, November 26, 2012						
			Period	Danske Bank	Consensus	Previous
8:00	DEM	GfK Consumer Confidence	Index	Dec	6.2	6.3
12:30	EUR	Eurogroup meeting (extraordinary)				
15:00	EUR	ECB's Constancio speaks in Berlin				
19:30	EUR	ECB's Praet speaks in Berlin				
22:45	NZD	Trade balance	NZD m	Oct	-450	-791

Source: Bloomberg, Danske Bank Markets

Today's market data: 26 November 2012

STOCKS



	Close	+/-
DJSTOXX50	2535	0.6%
OMXC20	490	0.4%
OMXS30	1072	10%
OSE BX	444	-0.1%
	Close	+/-
DOW JONES	13010	1.3%
NASDAQ	2967	1.4%
S&P500	1409	1.3%
NIKKEI (07:30)	9395	0.6%

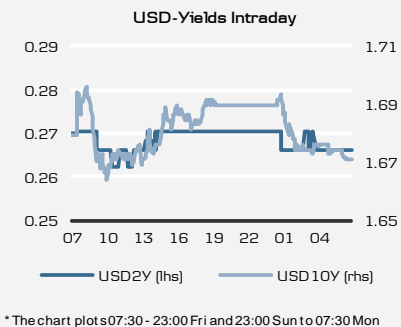
FX & COMMODITIES



EUR	17:00	07:30	+/-
USD	129,57	129,56	↓ -0,01
JPY	106,70	106,42	↓ -0,28
GBP	80,95	80,87	↓ -0,07
NOK	733,59	734,72	↑ 1,13
SEK	858,90	859,24	↑ 0,34
DKK	745,80	745,80	↑ 0,00
PLN	411,02	411,12	↑ 0,10
USD	17:00	07:30	+/-
JPY	82,36	82,14	↓ -0,22
GBP	160,07	160,19	↑ 0,12
CHF	92,99	92,92	↓ -0,07

	Oil, Brent, \$
07:30	111,17
1day	↓ -0,21
1month	↑ 1,62
Year-t-date	↑ 3,79
	CRB, Raw Industrials
07:30	507,17
1day	↓ -0,43
1month	↓ -2,18
Year-t-date	↓ -9,67
	CRB, 1M future
07:30	299,07
1day	↑ 1,23
1month	↓ 2,28
Year-t-date	↓ -6,23

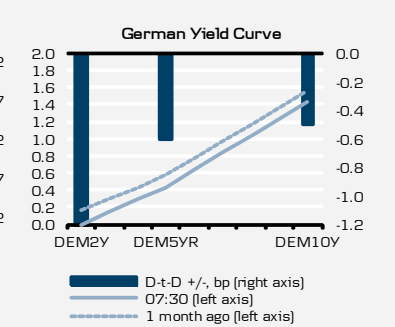
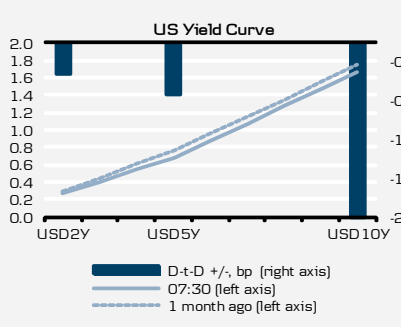
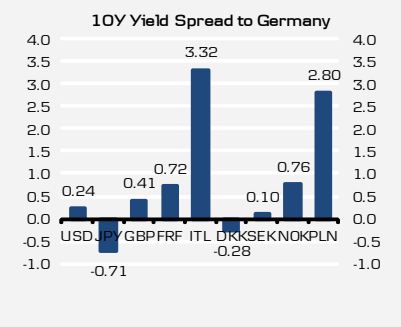
YIELDS & INTEREST RATES



	Policy Rate	3M	Spread, bp
USD	0,25	0,31	6
EUR	0,75	0,19	-56
GBP	0,50	0,52	2
DKK	0,20	0,28	8
SEK	1,25	1,44	19
NOK	1,50	1,95	45
PLN	4,50	4,50	0

	17:00	07:30	+/-, bp
USD 10Y	1,68	1,67	↓ -1
USD 30Y	2,83	2,81	↓ -2
JPY 10Y	0,74	0,73	↓ -1
	07:30(-1)*	17:00	+/-, bp
DEM 10Y	1,44	1,44	↓ 0
DKK 10Y	1,16	1,16	↑ 0
SEK 10Y	1,54	1,54	↑ 0
NOK 10Y	2,20	2,20	↑ 0
PLN 10Y	4,23	4,24	↑ 1

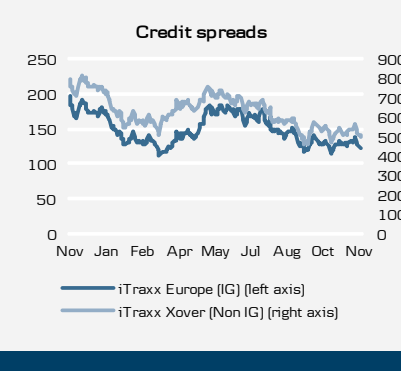
* As of closing previous trading day



Credit spread, iTraxx s. 11*

	07:30	1day	1month
Europe (IG)	122	↓ -2	↓ -8
HiVol	192	↓ -2	↓ -11
Xover (N-IG)	498	↓ -9	↓ -38
Finan. Sr.	162	↓ -1	↓ -14
Finan. Sub.	285	↓ -3	↓ -25
Non-finan.	102	↓ 0	↓ -4

* Ask price



Swap Spread, bp**

	17:00	07:30	+/-
USD 10Y	4	4	↑ 0
JPY 10Y	3	5	↑ 2
	07:30(-1)*	17:00	+/-
EUR 10Y	31	30	↓ -1
DKK 10Y	69	68	↓ 0
SEK 10Y	58	59	↑ 0
NOK 10Y	102	104	↑ 3

* As of closing previous trading day
** Ask price

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