Danske Bank

15 September 2017

Weekly Focus

Riksbank may be next to join 'exit camp'

Market Movers ahead

- We look for the FOMC to announce "quantitative tightening" and signal one more rate hike this year when it meets on Wednesday.
- We expect EUR manufacturing PMI to show a slight drop from the current strong level as the stronger euro is likely to weigh a bit on euro exports. We also look for a small decline in the German ZEW index.
- Chinese house price inflation for August is likely to show a further moderation as tightening measures are starting to dampen home sales and prices.
- Bank of Japan: we expect it to keep its policy stance unchanged.
- In Scandinavia, the Riksbank's minutes should give more insight into how close the bank is to joining the 'exit' camp. We don't expect any rate change or change to the rate path from Norges Bank at its meeting on Thursday.

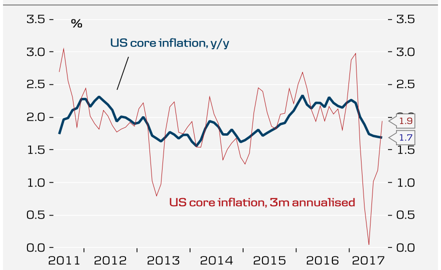
Global macro and market themes

- Central bankers look increasingly divided into those in the 'exit' camp (Fed, BoE, ECB), those in the 'no exit camp' (BoJ, SNB), and those in between (Riksbank, Norges Bank).
- While the Fed looks determined to hike in December, it is unlikely to drive a major sell-off in EUR/USD.

Focus

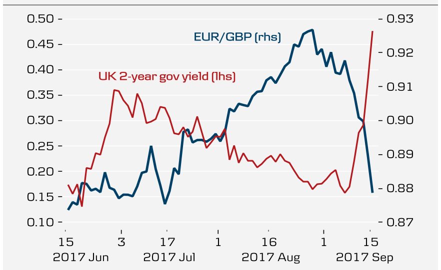
- Preview of the coming FOMC meeting: *FOMC to start QT and signal one more rate hike this year*, 15 September 2017.
- Hawkish Bank of England signals a rate hike: *Bank of England review: November hike is now a close call*, 14 September 2017.

US core CPI keeps Fed on track for December hike



Source: Macrobond Financial

GBP strengthening and yields higher as BoE signals hike soon



Source: Macrobond Financial

Contents

Financial views

Major indices	15-Sep	3M	12M
10yr EUR swap	0.85	0.95	1.20
EUR/USD	119	119	125
ICE Brent oil	55	53	61
	15-Sep	6M	12-24M
S&P500	2496	5-10%	10-15%

Source: Danske Bank

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Market movers

Global

- In the **US**, the most important event next week is the FOMC meeting ending on Wednesday. We expect no change to the fed funds target range, but instead expect the Fed to announce it will begin reducing its balance sheet ("quantitative tightening") in October. We have got most details about how the Fed wants to do this and hence we do not expect the announcement itself to have a major impact on markets, although we are still missing details about what level of the balance sheet the Fed targets in the long term. With respect to the 'dots', we expect the signal to remain unchanged at one more hike this year and three next year. We do not expect any major changes to the statement despite low inflation, as the statement already says the Fed is monitoring inflation "closely". For more information, see *FOMC preview: Fed to announce QT and still signal one more hike this year*. 15 September 2017.

  On Thursday, the Fed Philly index for September is released, which will give us the first signal about what to expect of the overall index. The extremely large gap between ISM manufacturing and Markit PMI manufacturing (58.8 vs 52.8) is puzzling us and perhaps the 'truth' is somewhere in between. We believe the ISM is probably a bit too high, but the Markit figure is probably a bit too low, and hence we expect the Philly index to fall somewhat whereas we expect Markit manufacturing PMI to increase. However, the numbers may be somewhat affected by the recent hurricanes, although it remains our base case that any impact should be short-lived. This has at least been the experience with some of the previous big hurricanes when looking at initial jobless claims, which shoot higher temporarily before falling again to the old trend. Initial jobless claims released next week will include the week that Hurricane Irma hit and hence we may see a further uptick.

  We also have some speeches by FOMC members in the coming week.

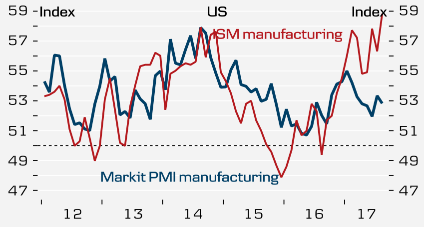
- On Monday, we get the revised **euro area** inflation prints for August, but expect no significant changes.

  Tuesday brings us German ZEW expectations. In August, the figure dropped from 17.5 in July to 10.0, which is the biggest drop since the drop in the July print following Brexit. The decline has been attributed to the weaker exports and the growing scandal in Germany's automobile sector. Together with the appreciating euro's pressure on exports this could cause economic sentiment to deteriorate. However, both business expectations (Ifo) and German PMIs increased in August, signalling still increasing optimism on the part of business. Overall, we expect the ZEW expectations to show a small decline to 9.5.

  On Thursday, the euro area consumer confidence figure for September is due for release. In June, consumer confidence rose to -1.3, its highest level since 2001, and was only marginally lower in August at -1.5. The unemployment rate continues to narrow the gap to the NAIRU and wage growth started to pick up in Q2. However, as inflation has also increased since 2016, real wage growth remains low and could act as a drag on consumer confidence. We expect a figure of -1.6 in September.

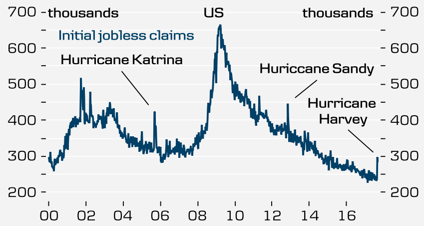
  On Friday, we expect the PMI figures. Euro area manufacturing PMI has been increasing steadily since September 2016, with only a bump down in July, from which it recovered in August when the figure was 57.4. Activity is strong, but the appreciation of the euro is bound to drag on export orders eventually. We expect manufacturing PMI to remain strong, but moderate slightly to 57.2 in September. Service PMI has seen a declining trend since April 2017, although still in expanding territory. In August, both business activity and new orders reported their weakest figures since January. The new orders indicate further declines to come, and we expect service PMI at 54.2 in September.

Huge gap between Markit and ISM is puzzling



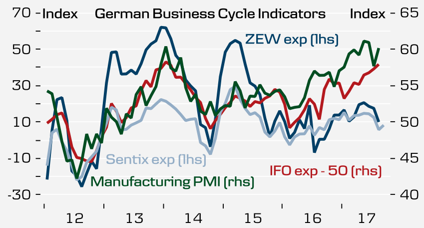
Source: Markit Economics, ISM, Macrobond Financial

Hurricanes increase initial jobless claims but only temporarily



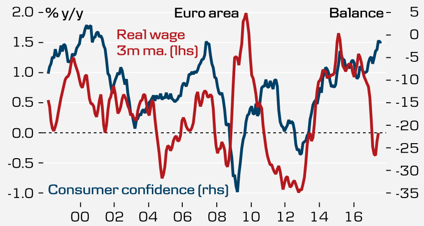
Source: U.S. Department of Labor, Macrobond Financial

Investor sentiment starting to decline



Source: Sentix, Ifo, ZEW, Markit PMI, Macrobond Financial, Danske Bank

Consumer confidence could have topped

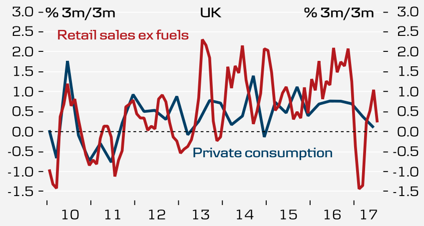


Source: Eurostat, European Commission, Macrobond Financial, Danske Bank

- In the **UK**, it is a quiet week in terms of economic data releases, as the most interesting release is retail sales for August due out on Wednesday. Retail sales is very volatile on a monthly basis and is a weak indicator of private consumption (accounts for less than 6% of GDP, according to ONS) but still markets move when retail sales surprise to either the up or downside. For what it is worth, we will look for signs of whether private consumption growth remains weak due to the negative real wage growth and lower consumer confidence.

  The week is more interesting in terms of politics and Brexit. The fourth round of the Brexit negotiations, which was scheduled to begin on Monday, has been postponed a week, as PM Theresa May gives a speech on Brexit in Florence on Friday. We do not know exactly what she will talk about but according to press reports (FT) she will touch upon a transitional deal after the UK formally leaves the EU at the end of March 2019. Hopefully her speech will clear the air, as tensions between the EU and the UK have increased in recent weeks. Also, the UK party conference season kicks off next week with the LibDems conference over the weekend. Naturally, the Conservative Party Conference on 1-4 October will be the most important one, not least since May is expected to give another Brexit speech.

Retail sales is not a good indicator for actual private consumption growth

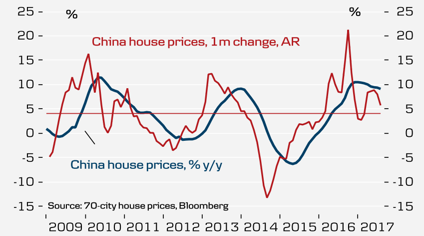


Source: ONS, Macrobond Financial

- **China** releases house price inflation. While the annual price increase is still close to 10% there are tentative signs that the monthly increases are starting to slow down again. Judging from medium and long-term lending by households and home sales data, the cooling of the housing market is finally starting to kick in. This points to a further moderation in price increases. The sharp rise in prices is a problem for the government as it has fuelled speculative investments and made housing less affordable for medium income households. Hence several measures to take the froth out of the housing market have been taken over the past year.

- In **Japan,** we expect the Bank of Japan (BoJ) to maintain its 'QQE with yield curve control' policy unchanged at its monetary policy meeting ending on 21 September. It is widely expected that the BoJ will keep its monetary policy unchanged and the announcement should not have any significant impact on price action. In our main scenario, we expect the BoJ to keep its policy unchanged throughout our 12M forecast horizon assuming that BoJ governor Koruda will be reappointed when his current term as governor ends in April. For more details, see *Bank of Japan Preview: On hold as political uncertainty increases,* 15 September 2017.

House prices to cool in coming months



Source: Macrobond Financial, Bloomberg

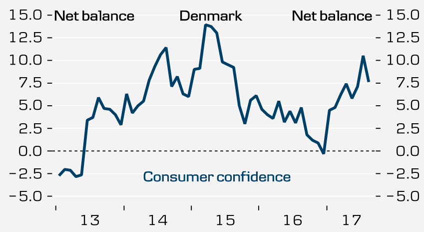
Scandinavia

- In **Denmark**, it all happens on Thursday, kicking off with September figures for consumer confidence. Sentiment has generally been upward bound so far this year, but dipped in August after hitting its highest level since May 2015 in July. We expect the indicator to be more or less unchanged in September at around 8.0. Thursday also sees Statistics Denmark release employment data for July and retail sales for August. Consumer finances are enjoying strong support from rising employment, low interest rates, rising property prices and rising real wages – albeit with the recent surge in inflation pulling slightly the other way – so there should be scope for consumers to continue to loosen the purse strings.

- In **Sweden**, minutes from the Riksbank's September monetary policy meeting are published on Thursday 21 September. The press release after the meeting showed that all board members agreed to keep policy unchanged, meaning no repo rate hikes until the third quarter next year and then raising rates at a modest pace. The decision was taken in spite of the fact that inflation has risen by more than expected but the general message seems to be that the recent higher inflation prints partially reflect temporary effects and that the underlying situation remains fragile. No economic data is reported next week.

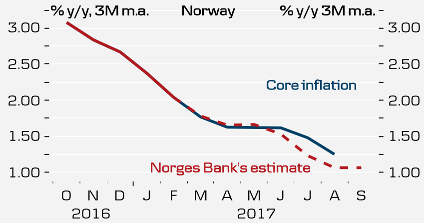
- In **Norway**, we share the consensus view that Norges Bank will not touch interest rates on Thursday. Although something of a mixed bag, developments since the last meeting have panned out more or less as anticipated. We therefore expect the interest rate path in the new monetary policy report to be identical to that in June. Yes, the krone is around 1.5% stronger than assumed in June, and global forward rates have fallen slightly, especially from 2019 onwards, and in isolation this would pull the interest rate path down. On the other hand, inflation has been marginally higher than expected, and Nibor premiums rather smaller, pushing the rate path up. Technically, the net result should be a slightly lower path over the coming year, but that would mean Norges Bank reinstating its signal of lower interest rates, which it only just withdrew in June. We think it is too early for such a U-turn and expect Norges Bank to resolve the problem by using its discretion or possibly revising up its growth projections for next year. In this context, it is important to note that much of the krone's appreciation seems to be linked to higher oil prices, which has to be seen as good news for the Norwegian economy.

Consumer confidence down in August but generally upward bound in the year to date



Source: Statistics Denmark

Inflation has been slightly higher than expected



Source: Macrobond Financial, Norges Bank, Danske Bank

Market movers ahead

Global movers				Event		Period	Danske	Consensus	Previous
Mon	18-Sep	3:30	CNY	Property prices	y/y				
Tue	19-Sep	11:00	DEM	ZEW expectations	Index	Sep	**9.5**		10.0
Wed	20-Sep	10:30	GBP	Retail sales ex fuels	m/m|y/y	Aug		*0.2%|1.5%*	0.5%|1.5%
		20:00	USD	FOMC meeting	%		**1.25%**	*1.25%*	1.25%
Thurs	21-Sep	-	JPY	BoJ policy rate	%		**-0.1%**		-0.1%
		14:30	USD	Philly Fed index	Index	Sep		*17.0*	18.9
		14:30	USD	Initial jobless claims	1000				
		16:00	EUR	Consumer confidence, preliminary	Net bal.	Sep	**-1.6**	*-1.6*	-1.5
Fri	22-Sep	-	GBP	PM Theresa May is set to deliver speech on Brexit					
		10:00	EUR	PMI manufacturing, preliminary	Index	Sep	**57.2**	*57.2*	57.4
		10:00	EUR	PMI services, preliminary	Index	Sep	**54.2**	*54.8*	54.7
		15:45	USD	Markit PMI manufacturing, preliminary	Index	Sep	**53.5**		52.8
		15:45	USD	Markit PMI service, preliminary	Index	Sep	**56.0**		56.0
Scandi movers									
Thurs	21-Sep		SEK	Referat fra Riksbank-møde fra september møde	m/m|å/å	aug			-0.1%|-0.4%
		10:00	NOK	Norges Banks monetary policy meeting	%		**0.5%**	*0.5%*	0.5%

Source: Bloomberg, Danske Bank Markets

Global Macro and Market Themes

A tale of three central-bank camps

In a week which saw risk sentiment improving again following set-backs ahead of hurricane Irma and the imposition of harsher sanctions against North Korea, we also saw the Bank of England (BoE) signal a hiking cycle to begin sooner than we and the market were looking for, and the Swiss National Bank (SNB) emphasising its commitment to accommodative policy. **In our view, this served to confirm that central bankers are now divided into largely three camps.**

In the 'exit' camp we have the central banks looking to 'normalise' policy after years of using unconventional measures. A prominent member of this camp is the Fed, which has in fact been in tightening mode since the tapering discussion began back in 2013. But, this week's BoE meeting also clearly cemented that the BoE is keen to start a hiking cycle, see *Bank of England review: November hike is now a close call*. And then importantly, in our view, there is the ECB, which has somewhat started talking about 'reflationary' (rather than deflationary) risks – a wording once again used by ECB chief economist Praet in a speech reiterating the hawkish tone from last week's meeting.

In the 'no exit' camp, we have the central banks keen to avoid joining the 'normalisation' discussions taking place elsewhere, not least as they worry this could bring about unwanted currency strength. The Bank of Japan (BoJ) has clearly placed itself in this camp following the introduction of yield curve control and will likely stay in easing mode for an extended period as price pressure remains weak, see *Research Japan: Running on all engines*. This week's SNB meeting also confirmed that the Swiss are 'in it' (negative rates and a bloated balance sheet) for the long run as sustained price pressure is lacking still.

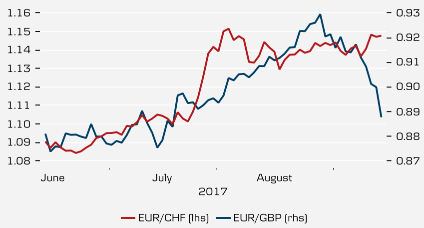
And then there is the group of those in-between, reluctant to side with either camp: arguably these would under 'normal' circumstances be looking to make policy less accommodative but are reluctant to do so as they are uncertain whether underlying inflationary pressure is strong enough to withstand currency strength along the way. This group in our view includes notably the Riksbank and Norges Bank, with the latter struggling with recent low inflation prints and the former insisting the latest inflation uptick is temporary; also both are wary of potentially wobbly housing markets.

Next up for revealing its preferences regarding policy is the Fed with the FOMC meeting next week, see *FOMC preview*, 15 September 2017. We expect the Fed to stay on hold but announce it will begin shrinking its balance sheet in October. The latter is widely expected and should not have a major impact on neither Treasury yields nor USD. But we also expect the median FOMC 'dots' to still signal one more hike this year and three hikes next year, which remain far from market expectations. This week saw a decent inflation print out of the US which, alongside slightly improved prospects of a corporate tax reform in the US, should keep the Fed on track for a December hike, in our view, even if it is an increasingly close call.

Today's key points

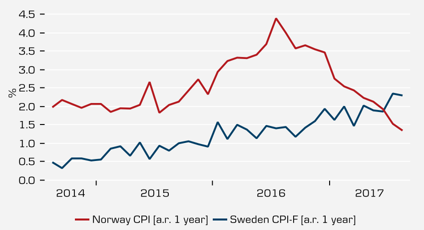
- Central bankers look increasingly divided into those in the 'exit' camp (Fed, BoE, ECB), those in the 'no exit camp' (BoJ, SNB), and those in between (Riksbank, Norges Bank)
- While the Fed looks determined to hike in December, it is unlikely to drive a major sell-off in EUR/USD
- And watch out for the Riksbank: it may be next to join the 'exit' camp

SNB welcoming EUR/CHF uptick – EUR/GBP eyeing BoE hikes (again)



Source: Bloomberg, Macrobond, Danske Bank

Norwegian and Swedish inflation diverging



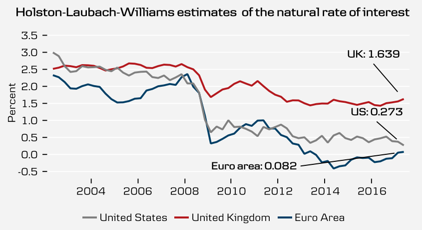
Source: Macrobond, Danske Bank

With central banks divided as indicated above, it is tempting to conclude that US yields should move higher and that USD strength could materialise near term. But not so fast: the short end of the US yield curve has struggled to move higher this year, which may be ascribed partly to fading Trump optimism, but which may more broadly be seen in the context of the sustained downward pressure on the natural rate of interest across a range of countries. The latter hints that the longer-term potential for yields to move higher may be limited, which in turn suggests that the potential for the Fed to hike and reduce its balance sheet simultaneously could be rather limited. This week we have seen a decent rebound in US and European bond yields, but we do not see this as the start of a continued sell-off in the bond market.

In the FX sphere, while USD/JPY remains in the hands of US Treasury yields which could be in for a muted rise in 2018, relative interest rates have largely failed to track movements in notably the sustained uptick in EUR/USD in the year so far. **That said, a range of factors should cap EUR/USD upside near term on top of the possible, if limited, downside from a possible December Fed hike.** Speculative positioning is closing in on stretched territory, suggesting risks are tilted to the downside for the cross. Unhedged equity flows seems to be fading and should thus provide less EUR support going forward. Also, our quantitative business-cycle models suggest the US economy is re-gaining momentum while the eurozone is now losing steam a bit.

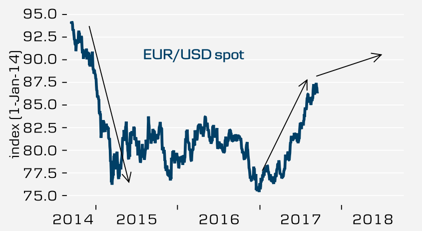
But, as we highlighted in *FX Edge: Power of flows - EUR/USD eyeing 1.30 longer term,* **the potential for a 'normalisation' in eurozone debt flows as the next leg of ECB exit pricing gains traction is a key source of upside risk for the single currency longer term**. Crucially, the ECB seems increasingly willing to accept EUR appreciation these days as long as it happens gradually and is supported by a strong domestic economy. We look for EUR/USD to trade in a range around the 1.20 mark near term and reiterate our call that any dips in the cross will be shallow and short-lived. **While we still look for a move towards the mid-1.20s further out we emphasise that the speed with which EUR/USD is set to move higher will be reduced going forward. Next to join the 'exit' camp could be the Riksbank, which we think will end its QE scheme this December**. Relatively high inflation prints for the remainder of this year should serve as a cap on EUR/SEK, but significant SEK appreciation from here still requires a marked shift in policy stance from the Riksbank. **We look for continued range-trading in EUR/SEK around 9.50 in the next few months.**

Natural rates of interest have dropped



Source: Macrobond Financial, Danske Bank

EUR/USD to move at reduced speed ahead



Source: Macrobond Financial, Danske Bank

Global market views

Asset class	Main factors
Equities	We keep our short-term buy-on dips stance, as we think the fundamental factors (the global cycle and earnings) are still strong. So far, history shows that geopolitical shocks are not able to offset the equity markets as long as the cycle is strong. On a 3-6m basis, we remain neutral on equities, as we have been since April this year.
Our short-term trading opportunity stance (0-1month): Buy on dips	
Our strategy stance (3-6M): Neutral on equities vs cash	
Bond market	
German/Scandi yields – set to stay in recent range for now, higher on 12M horizon	Inflation to stay subdued despite decent growth. Stronger euro keeps euro inflation outlook down. ECB to normalise gradually only, due to lack of wage pressure and stronger euro. Focus on possible tapering, but that is more of a 2018 story.
EU curve – 2Y10Y set to steepen when long yields rise again	The ECB keeps a tight leash on the short end of the curve. With 10Y yields stable, the curve should change little on a 3-6M horizon. Risk is skewed towards a steeper curve earlier than we forecast.
US-euro spread set to widen marginally	The Fed's QT programme (balance sheet reduction) is to happen at a very gradual pace and impact on the Treasury market should be benign. Yet market pricing for Fed hikes is very dovish and yields should edge higher on 12M horizon. The market is positioned for lower US yields and vulnerable if we see a FI sell-off.
Peripheral spreads – tightening but still some factors to watch	Economic recovery, ECB stimuli, better fundamentals, particularly in Portugal and Spain and an improved political picture are expected to lead to further tightening despite the recent strong moves. Italy is the big risk factor. But very expensive to be short Italian bonds.
FX	
EUR/USD – consoldating near term but upside risks in 2018	EUR/USD has turned for good as ECB has reluctantly allowed 'reverse gravity' to kick in but upward momentum should wear off near term. Upside risks dominate in 2018.
EUR/GBP – upside risks remain but GBP to strength eventually	Deteriorating growth prospects, BoE on hold and Brexit mess to send EUR/GBP back above 0.90 in 3M. Downward move on Brexit clarification and valuation further out.
USD/JPY – gradually higher longer term but challenged near term	Policy normalisation at the Fed and eventually at the ECB while BoJ is in it for the long run means support for EUR/JPY and USD/JPY alike throughout our forecast horizon.
EUR/SEK – consolidation near term, gradually lower further out	Gradually lower in the longer term on fundamentals but near term further SEK potential is limited by a cautious Riksbank.
EUR/NOK – range-bound near term, then gradually lower	Headwinds near term due to low oil prices but longer term NOK rebound on valuation, growth and real-rate differentials normalising.
Commodities	
Oil price – range-bound	Supported by weak USD, declining US crude stocks and halt in further rise in US oil rig count.
Metal prices – rally to fade	Underlying support from consolidation in mining industry, better China data lately. China to slow again after National Congress adding downside risks in the medium term.
Gold price – range-bound	To monitor development in global geopolitical risks.
Agriculturals – stabilisation	Dry weather created supply concerns but prices have come down again lately.

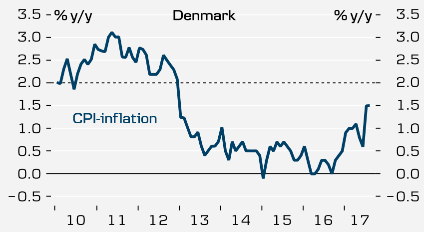
Source: Danske Bank.

Scandi Update

Denmark – Further strong inflation in August

The latest inflation data revealed that prices in August were 1.5% higher than they were in the same month last year. Thus inflation held at the surprisingly high level seen in July, due mainly to higher prices of holiday homes and books than a year ago. Relative to July, prices of food and package holidays pulled slightly in the other direction. Elsewhere, the number of unemployed climbed by 4,700 in July, taking the jobless rate to 4.5%. That may seem like a relatively big increase, but the figures for July are associated with particular uncertainty due to a change in the calculation method.

Strong inflation in August relative to recent years

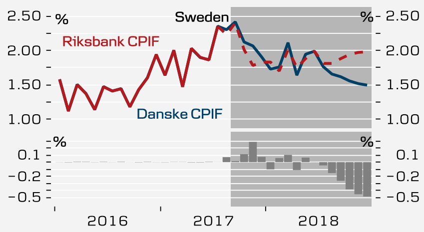


Source: Statistics Denmark

Swedish GDP growth revised down but remains upbeat

August inflation (CPIF -0.1% mom/2.3% yoy) again came in slightly above the Riksbank's projection but not really to a meaningful extent. Prices of package holidays, which have been pushing up inflation recently, went down again by 20% but still remain 15% higher than a year ago, so there should be potential for further declines. Having said that, our forecast suggests that inflation will stay slightly above 2% for a while. Second quarter GDP growth, which was initially reported at 4% y/y, has been revised down to 3.1% y/y (somewhat slower growth in fixed investments and consumer spending). At the same time, the revised data confirms that housing construction remains a prime driver of growth.

Inflation likely to remain above 2% for a while

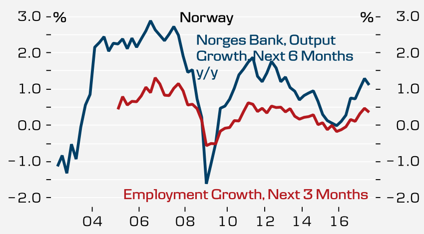


Source: Riksbank, Macrobond Financial, Danske Bank

Norway – Growth to remain above trend

In the light of data over the summer, the results of Norges Bank's latest regional network survey were something of a disappointment. The aggregated output index dropped from 1.29 in Q2 to 1.11 in Q3, indicating growth in mainland GDP of around 0.55% q/q in H2. This is roughly in line with Norges Bank's projections in the June monetary policy report, which means that economic growth should not prompt any changes to the interest rate path at the coming week's rate-setting meeting. It is important to stress that the survey is still pointing to growth above trend, which means that unemployment should continue to come down and capacity utilisation to rise. The assessment of capacity utilisation was more or less unchanged from the previous survey, but firms now expect marginally lower employment growth. It is also worth noting that expectations for wage growth this year were up on the previous survey, albeit only very marginally, which lends support to our view that wage growth has bottomed out and should begin to pick up as the labour market tightens. Elsewhere, the inflation figures were a big surprise. An unexpectedly steep fall in food prices and airfares dragged the annual rate of core inflation down from 1.2% to 0.9%, whereas we had predicted an increase. It was mainly imported inflation (including food) that fell further than forecast, while domestic inflation is beginning to show signs of stabilising. Looking ahead, we expect slightly higher inflation as the krone depreciates over the winter.

Growth still above trend



Source: Macrobond, Norges Bank, Danske Bank

Latest research from Danske Bank Markets

15/9 Bank of Japan preview: On hold as political uncertainty increases

We expect the Bank of Japan (BoJ) to maintain its 'QQE with yield curve control' policy unchanged at its monetary policy meeting ending on 21 September.

14/9 Flash Comment Russia: CBR rate decision preview: time for a big cut

We expect Russia's central bank, the CBR, to cut the key rate by 50bp to 8.50% on 15 September, as headline inflation has fallen below the target and the decline in inflation expectations resumed in August 2017.

14/9 German Election Monitor No. 2: What important issues should politicians debate?

In the current 'sleepy campaign', German politicians risk neglecting a thorough debate about measures to enhance future potential growth during times of economic strength.

14/9 Bank of England review: November hike is now a close call

Bank of England (BoE) sent a hawkish signal to markets, as it might tighten monetary policy 'over coming months' if underlying inflation moves higher and the unemployment rate moves lower.

14/9 Flash Comment - China: don't trust the weaker data too much

Chinese growth data disappointed overnight pointing to weaker growth in both industrial production, fixed investment and retail sales.

13/9 Finland Research: Stronger growth pushing debt ratio down

We have revised our forecast slightly higher for 2018 and expect Finnish GDP to grow 2.8% in 2017 and 1.8% in 2018.

12/9 Research Japan: Running on all engines

Japan is showing itself to be in good shape as the economic upswing is the longest standing since the crisis

12/9 Election update Norway: Victory but reduced majority for the centre-right parties

The current minority government seems to be able to form a new government.

11/9 Flash Comment Denmark: Inflation remains high but should decrease in coming months

Danish inflation surprised on the upside again in August

Macroeconomic forecast

Macro forecast, Scandinavia

	Year	GDP[1]	Private cons.[1]	Public cons.[1]	Fixed inv.[1]	Stock build.[2]	Ex-ports[1]	Im-ports[1]	Infla-tion[1]	Unem-ploym.[3]	Public budget[4]	Public debt[4]	Current acc.[4]
Denmark	2016	1.7	2.1	0.4	5.6	-0.2	2.5	3.5	0.2	4.2	-0.9	37.8	7.9
	2017	1.9	2.2	0.9	0.2	0.3	3.7	2.4	1.1	4.3	-1.1	36.4	8.3
	2018	1.7	2.1	0.8	4.1	-0.2	2.4	3.0	1.1	4.3	-0.3	35.0	8.1
Sweden	2016	3.2	2.4	2.9	5.3	0.0	3.5	3.8	1.0	6.9	0.9	41.3	5.1
	2017	1.8	1.5	0.3	4.6	-0.4	3.2	2.8	2.0	6.7	0.3	39.5	5.3
	2018	1.9	1.4	1.6	3.1	0.0	3.3	3.3	1.7	6.6	0.0	39.3	5.2
Norway	2016	0.9	1.6	2.3	0.3	0.3	-0.5	0.8	3.6	3.0	-	-	-
	2017	2.0	2.0	2.0	2.6	-0.2	1.4	2.6	2.2	2.7	-	-	-
	2018	2.3	2.3	2.0	2.8	-0.1	1.2	2.0	2.0	2.6	-	-	-

Macro forecast, Euroland

	Year	GDP[1]	Private cons.[1]	Public cons.[1]	Fixed inv.[1]	Stock build.[2]	Ex-ports[1]	Im-ports[1]	Infla-tion[1]	Unem-ploym.[3]	Public budget[4]	Public debt[4]	Current acc.[4]
Euroland	2016	1.8	2.0	1.8	4.1	-	3.3	4.6	0.2	10.0	-1.5	89.2	3.4
	2017	2.0	1.5	1.1	2.4	-	4.3	3.9	1.5	9.1	-1.4	88.8	3.0
	2018	1.5	1.3	1.1	3.8	-	3.3	4.0	1.1	8.5	-1.3	88.5	2.9
Germany	2016	1.8	1.9	4.0	2.0	-	2.4	3.7	0.4	4.2	0.8	68.3	8.5
	2017	2.1	2.1	1.6	4.2	-	4.0	4.8	1.6	3.8	0.5	65.8	8.0
	2018	1.7	1.6	1.9	4.3	-	3.3	5.1	1.3	3.8	0.3	63.3	7.6
France	2016	1.1	2.1	1.2	2.7	-	1.9	4.2	0.3	10.0	-3.4	96.0	-2.3
	2017	1.6	1.1	1.2	2.9	-	3.4	3.7	1.1	9.7	-3.0	96.4	-2.4
	2018	1.2	1.0	1.1	2.9	-	3.5	3.5	1.1	9.6	-3.2	96.7	-2.5
Italy	2016	1.0	1.3	0.6	3.1	-	2.6	3.1	-0.1	11.7	-2.4	132.6	2.6
	2017	1.4	1.2	1.0	2.1	-	4.1	5.8	1.3	11.2	-2.1	133.1	1.9
	2018	1.3	1.0	0.7	3.7	-	3.4	3.6	1.0	10.8	-2.2	132.5	1.7
Spain	2016	3.2	3.2	0.8	3.1	-	4.4	3.3	-0.3	19.6	-4.5	99.4	1.9
	2017	3.0	2.4	1.1	4.2	-	6.1	4.9	2.0	17.3	-3.1	99.2	1.6
	2018	2.1	2.2	1.1	4.0	-	3.3	4.6	1.0	16.0	-2.5	98.5	1.6
Finland	2016	1.4	2.0	0.5	5.2	-	0.5	2.5	0.4	8.8	-1.9	63.6	-1.1
	2017	2.8	2.0	-0.2	6.0	-	7.0	5.0	0.9	8.4	-2.1	64.0	-1.1
	2018	1.5	1.0	0.2	2.5	-	3.0	2.5	1.0	7.9	-1.8	64.2	-0.9

Macro forecast, Global

	Year	GDP[1]	Private cons.[1]	Public cons.[1]	Fixed inv.[1]	Stock build.[2]	Ex-ports[1]	Im-ports[1]	Infla-tion[1]	Unem-ploym.[3]	Public budget[4]	Public debt[4]	Current acc.[4]
USA	2016	1.5	2.7	0.8	0.7	-0.4	-0.3	1.3	1.3	4.9	-3.2	106	-2.6
	2017	2.1	2.6	-0.1	4.2	-0.1	3.2	3.8	1.9	4.5	-2.9	106	-2.7
	2018	2.2	2.1	0.4	5.0	0.0	2.5	2.9	1.7	4.3	-2.7	107	-3.3
China	2016	6.7	-	-	-	-	-	-	2.0	4.1	-3.0	46.3	2.4
	2017	6.3	-	-	-	-	-	-	2.0	4.3	-3.3	49.9	2.1
	2018	6.0	-	-	-	-	-	-	2.0	4.3	-3.0	53.3	1.5
UK	2016	1.8	2.8	0.8	0.5	0.2	1.8	2.8	0.7	4.9	-3.0	89.3	-5.0
	2017	1.6	1.9	0.8	1.9	-0.1	3.0	2.9	2.5	4.6	-2.8	87.7	-4.9
	2018	1.2	1.2	0.4	1.2	0.0	2.8	2.0	2.4	4.8	-1.9	87.7	-3.3

Source: OECD and Danske Bank. 1) % y/y. 2) % contribution to GDP growth. 3) % of labour force. 4) % of GDP.

Financial forecast

Bond and money markets

		Key int. rate	3m interest rate	2-yr swap yield	10-yr swap yield	Currency vs EUR	Currency vs USD	Currency vs DKK
USD	15-Sep	1.25	1.32	1.61	2.15	119.2	-	624.2
	+3m	1.50	1.55	1.75	2.35	119.0	-	625.2
	+6m	1.50	1.68	1.85	2.45	122.0	-	610.2
	+12m	1.75	1.92	2.25	2.70	125.0	-	595.6
EUR	15-Sep	0.00	-0.33	-0.18	0.85	-	119.2	744.0
	+3m	0.00	-0.33	-0.10	0.95	-	119.0	744.0
	+6m	0.00	-0.33	-0.05	1.05	-	122.0	744.5
	+12m	0.00	-0.33	0.00	1.20	-	125.0	744.5
JPY	15-Sep	-0.10	-0.03	0.02	0.22	131.9	110.7	5.64
	+3m	-0.10	-	-	-	135.7	114.0	5.48
	+6m	-0.10	-	-	-	141.5	116.0	5.26
	+12m	-0.10	-	-	-	145.0	116.0	5.13
GBP	15-Sep	0.25	0.30	0.72	1.30	88.7	134.3	838.4
	+3m	0.50	0.52	0.80	1.45	87.0	136.8	855.2
	+6m	0.50	0.53	0.90	1.55	86.0	141.9	865.7
	+12m	0.50	0.53	1.05	1.75	86.0	145.3	865.7
CHF	15-Sep	-0.75	-0.73	-0.55	0.25	114.8	96.3	648.2
	+3m	-0.75	-	-	-	115.0	96.6	647.0
	+6m	-0.75	-	-	-	118.0	96.7	630.9
	+12m	-0.75	-	-	-	123.0	98.4	605.3
DKK	15-Sep	0.05	-0.30	-0.04	1.05	744.0	624.2	-
	+3m	0.05	-0.30	0.10	1.20	744.0	625.2	-
	+6m	0.05	-0.30	0.15	1.30	744.5	610.2	-
	+12m	0.05	-0.30	0.20	1.45	744.5	595.6	-
SEK	15-Sep	-0.50	-0.42	-0.20	1.18	952.7	799.2	78.1
	+3m	-0.50	-0.45	-0.25	1.30	940.0	789.9	79.1
	+6m	-0.50	-0.45	-0.20	1.50	930.0	762.3	80.1
	+12m	-0.50	-0.45	-0.05	1.65	920.0	736.0	80.9
NOK	15-Sep	0.50	0.80	1.05	1.86	938.7	787.5	79.3
	+3m	0.50	0.80	1.10	1.95	950.0	798.3	78.3
	+6m	0.50	0.80	1.15	2.05	910.0	745.9	81.8
	+12m	0.50	0.80	1.25	2.30	900.0	720.0	82.7

Equity Markets

Regional		Risk profile 3 mth	Price trend 3 mth	Price trend 12 mth	Regional recommen-dations
USA (USD)	Higher yields, USD stabilize	Medium	5-10%	10-15%	Underweight
Emerging markets (local ccy)	Hurt by stronger USD	Medium	-5-0%	-5-+5%	Underweight
Japan (JPY)	Earnings and currency support	Medium	5-10%	10-15%	Overweight
Euro area (EUR)	Earnings , growth and currency support	Medium	0-5%	0-5%	Overweight
UK (GBP)	Currency support, Brexit looms	Medium	3-8%	5-10%	Neutral
Nordics (local ccy)	Earnings and currency support	Medium	3-8%	5-10%	Overweight

Commodities

		2017				2018				Average	
	15-Sep	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2017	2018
NYMEX WTI	50	52	48	48	52	55	57	58	59	50	57
ICE Brent	55	55	51	50	54	56	57	58	59	52	58
Copper	6,498	5,855	5,670	6,250	6,250	6,250	6,250	6,100	6,100	6,006	6,175
Zinc	3,006	2,789	2,580	2,900	2,900	2,800	2,700	2,600	2,500	2,792	2,650
Nickel	11,200	10,321	9,230	10,100	10,000	10,500	10,750	11,000	11,000	9,913	10,813
Aluminium	2,098	1,858	1,910	1,975	1,950	1,900	1,875	1,850	1,825	1,923	1,863
Gold	1,327	1,219	1,260	1,250	1,210	1,220	1,230	1,240	1,250	1,235	1,235
Matif Mill Wheat (€/t)	163	170	168	170	170	168	166	166	166	170	167
Rapeseed (€/t)	368	415	375	370	390	400	400	390	380	387	393
CBOT Wheat (USd/bushel)	442	429	435	475	475	500	510	520	530	454	515
CBOT Soybeans (USd/bushel)	975	1,021	944	975	975	1,000	1,025	1,050	1,050	979	1,031

Source: Danske Bank Markets

Calendar

Key Data and Events in Week 38

During the week				Period	Danske Bank	*Consensus*	Previous
Monday, September 18, 2017				Period	Danske Bank	*Consensus*	Previous
3:30	CNY	Property prices	y/y				
11:00	EUR	HICP inflation, final	m/m|y/y	Aug		*0.3%|1.5%*	-0.5%|1.3%
11:00	EUR	HICP - core inflation, final	y/y	Aug		*1.2%*	1.2%
16:00	USD	NAHB Housing Market Index	Index	Sep		*67.0*	68.0
22:00	USD	TICS international capital flow, Net inflow	USD bn	Jul			7.7
Tuesday, September 19, 2017				Period	Danske Bank	*Consensus*	Previous
3:30	AUD	RBA September Meeting Minutes					
10:00	EUR	Current account	EUR bn	Jul			21.2
11:00	DEM	ZEW current situation	Index	Sep	**12**	*86.0*	86.7
11:00	DEM	ZEW expectations	Index	Sep	**9.5**		10.0
14:00	HUF	Central Bank of Hungary rate decision	%		**0.9%**	*0.9%*	0.9%
14:30	USD	Building permits	1000 (m/m)	Aug		*1220*	1230.0 (-3.5%)
14:30	USD	Housing starts	1000 (m/m)	Aug		*1180*	1155.0 (-4.8%)
14:30	USD	Current account	USD bn	2nd quarter		*-110.5*	-116.8
14:30	USD	Import prices	m/m|y/y	Aug		*0.3%|2.2%*	0.1%|1.5%
Wednesday, September 20, 2017				Period	Danske Bank	*Consensus*	Previous
1:50	JPY	Exports	y/y (%)	Aug		*0.1*	0.1
1:50	JPY	Import	y/y (%)	Aug		*0.1*	0.2
1:50	JPY	Trade balance, s.a.	JPY bn	Aug		*404.7*	337.4
10:30	GBP	Retail sales ex fuels	m/m|y/y	Aug		*0.2%|1.5%*	0.5%|1.5%
16:00	USD	Existing home sales	m (m/m)	Aug		*5.47*	5.44|-0.013
16:30	USD	DOE U.S. crude oil inventories	K				5888
20:00	USD	FOMC meeting	%		**1.25%**	*1.25%*	1.25%
20:30	USD	Fed Chair Yellen (dovish) speaks					
Thursday, September 21, 2017				Period	Danske Bank	*Consensus*	Previous
-	SEK	Riksbank publishes minutes from September meeting					
-	JPY	BoJ policy rate	%		**-0.1%**		-0.1%
-	JPY	BoJ monetary policy announcement					
0:45	NZD	GDP	q/q|y/y	2nd quarter		*0.8%|2.5%*	0.5%|2.5%
9:00	DKK	Employment (monthly)	1.000|m/m	Jul			2.697|0.1
9:00	DKK	Retail sales	m/m|y/y	Aug			-0.1%|-0.4%
9:00	DKK	Consumer confidence	Net. bal.	Sep	**8.0**		7.6
10:00	EUR	ECB Publishes Economic Bulletin					
10:00	NOK	Norges Banks monetary policy meeting	%		**0.5%**	*0.5%*	0.5%
11:30	EUR	ECB's Praet speaks in Frankfurt					
14:30	USD	Philly Fed index	Index	Sep		*17.0*	18.9
14:30	USD	Initial jobless claims	1000				
15:00	USD	FHFA house price index	m/m	Jul			0.1%
15:30	EUR	ECB's Draghi speaks in Frankfurt					
16:00	EUR	Consumer confidence, preliminary	Net bal.	Sep	**-1.6**	*-1.6*	-1.5

Source: Danske Bank Markets

Calendar (continued)

Friday, September 22, 2017				Period	Danske Bank	*Consensus*	Previous
-	GBP	PM Theresa May is set to deliver speech on Brexit					
-	GBP	Moody's may publish UK's debt rating					
8:45	FRF	GDP, final	q/q|y/y	2nd quarter			0.5%|1.7%
9:00	FRF	PMI manufacturing, preliminary	Index	Sep		*55.7*	55.8
9:00	FRF	PMI services, preliminary	Index	Sep		*54.8*	54.9
9:30	DEM	PMI manufacturing, preliminary	Index	Sep		*59.0*	59.3
9:30	DEM	PMI services, preliminary	Index	Sep		*53.8*	53.5
10:00	EUR	PMI manufacturing, preliminary	Index	Sep	**57.2**	*57.2*	57.4
10:00	EUR	PMI composite, preliminary	Index	Sep		*55.6*	55.7
10:00	EUR	PMI services, preliminary	Index	Sep	**54.2**	*54.8*	54.7
12:00	USD	Fed's Williams (non-voter, neutral) speaks					
13:15	EUR	ECB's Constancio speaks in Frankfurt					
14:30	CAD	CPI	m/m|y/y	Aug		*...|1.5%*	...|1.2%
14:30	CAD	Retail sales	m/m	Jul		*0.3%*	0.1%
15:30	USD	Fed's George (non-voter, hawkish) speaks					
15:45	USD	Markit PMI manufacturing, preliminary	Index	Sep	**53.5**		52.8
15:45	USD	Markit PMI service, preliminary	Index	Sep	**56.0**		56.0
19:30	USD	Fed's Kaplan (voter, dovish) speaks					

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Source: Danske Bank Markets

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