

Weekly Focus

A cut, a hike and a hold

Solid macro data and hawkish comments from ECB's Schnabel have moved investors' perception of the ECB's next move from cut to hike. This has triggered a further move higher in European bond yields this week. French bonds did experience some tailwinds, though, as the parliament narrowly approved next year's social security budget. Challenges remain ahead with the main budget up for debate next week. It has faced tougher opposition.

A not-so hawkish message from Fed chair Powell also dampened the upward trend in bond yields a bit. USD lost some ground in a week where equity markets edged higher, following the Fed communication. The Fed cut rates as widely expected and Powell made it clear that they are in no hurry to ease further. He also (against ours and markets' expectations) refrained from clearly pushing back against the market pricing, which currently sees slightly more than 50bp of additional cuts for the coming year. The JOLTS report indicated robust labour demand. Details were less rosy, though, as voluntary quits and hires declined, while involuntary layoffs increased.

In Germany, industrial production was significantly stronger than expected in October and Sentix data indicates that investors and analysts have become slightly less pessimistic on the euro area economic recovery in December. We expect PMIs will confirm the picture of decent activity next week.

More central banks will be busy taking a stance on their monetary policy. We expect to see a cut, a hike and a hold decision. The ECB will take the latter decision and reiterate that they are in a good place and signal that they will be on hold for a while. We see rates steady for the coming two years. We expect The Bank of England will deliver the cut as we have seen softer inflation, steeper job losses and GDP decline recently. The policy committee is divided, though, and we get fresh CPI data and a labour market report ahead of the meeting.

We count on the Bank of Japan to deliver the hike. In Japan, wages continue to struggle compensating for inflation with real earnings down 0.7% y/y. Besides that, the economy looks solid, though, and tightening is due to avoid further yen slide, which would be unconstructive for the aim of reeling in cost-push inflation. Ahead of the meetings, we will know more of the current shape of the respective economies with the Tankan business survey published in Japan and PMI data released for all three economies.

The data highlight of the week will be the delayed October/November jobs report from the US, where we believe the slowdown in labour supply growth will reflect in a modest 20K/50K job growth. US November CPI data will also be very interesting after the October data was cancelled. We expect core inflation steady at 3.0% yoy.

China releases their big monthly batch of data. We expect it to show more of the same, i.e. still weak consumer spending and housing market but decent increase in industrial production supported by robust exports.

Key global views

- Economic growth close to trend levels in the US and the euro area.
- Risk to inflation is on the upside in the US and the downside in the euro area.
- Two more cuts from the Fed, no changes from ECB.

Key market movers

- Monday: Chinese retail sales, housing data etc., Japanese Q4 Tankan business survey
- Tuesday: US jobs report, PMI data, UK labour market report
- Wednesday: UK CPI
- Thursday: ECB and BoE meeting, US CPI
- Friday: BoJ meeting and Japan CPI

Selected reading from Danske Bank

- *Research US - Fed review: Not-so hawkish cut*, 10 December
- *Geopolitical Radar*, 10 December
- *ECB Preview: Hold on, we're not hiking*, 11 December
- *Bank of England Preview - Slowdown paves way for rate cut*, 12 December

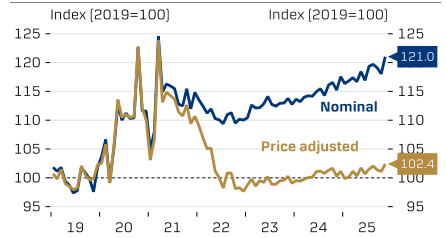
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Market Movers Scandinavia

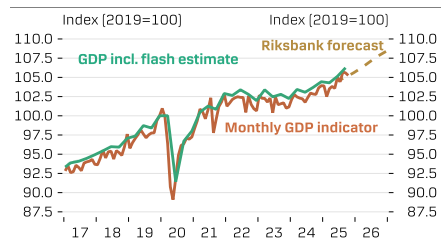
- In Denmark**, Thursday will bring the release of payrolls for October. Payrolls increased by 5,100 in September, which marks an acceleration in job growth compared to the average of 3,000 jobs added per month over the past two years. Even with Novo Nordisk's announced layoffs of 5,000 jobs the rising employment highlights the resilience of the labour market and gives no indication of a slowdown in job creation. Retail sales for November will be released on Friday. Our Spending Monitor showed a 1.3% m/m rise in real retail spending in November, suggesting that spending growth has begun to show signs of improvement after remaining subdued for much of 2025, helped along by Black Friday demand. The consumer sentiment indicator for December will also be released on Friday. Consumer confidence fell to -20.1 in November, the lowest level in 2½ years, driven by a worsened view of the economy and ongoing inflation fears.
- In Sweden**, the Riksbank is expected to leave the policy rate at 1.75%. Compared to the last Monetary Policy Report, the outlook for the Swedish economy has improved, and GDP growth in Q3 was markedly better than expected. While some uncertainties remain in the labour market, the overall picture suggests that the labour market is also poised for a rapid recovery. We expect that the Riksbank will lift its growth forecast mainly for 2025, but that they may still highlight some downside risks for 2026.
- We expect Norges Bank to keep the policy rate unchanged at 4.00% at the MPC-meeting next week. However, based on the developments since the last Monetary policy report in September, we think Norges Bank will send moderately more dovish signals at this junction. Financial factors have moved somewhat, but in quite opposite direction and the net effect is probably very close to zero. More interesting of course is that core inflation has been marginally lower and unemployment marginally higher and GDP-growth lower than expected. In addition, the regional survey showed that capacity utilization dropped in Q4, which signals a fall in the output gap. Hence, we should be expecting a downward adjustment of the rate path in the new monetary policy report, signalling an above 50% probability for a rate cut in March.

The Spending Monitor points to retail sales (SA) rising in November



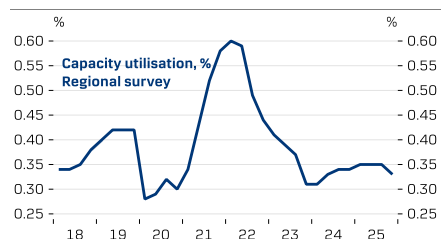
Source: Macrobond Financial, Danske Bank

We expect that the Riksbank will lift its growth forecast



Source: The Riksbank, Macrobond and Danske Bank

The output gap seems to be falling again



Source: Danske Bank

Scandi Update

Denmark – Resilient economy amid steady inflation and slight rise in unemployment

The Danish economy has entered the final quarter of the year on a solid footing, as evidenced by the latest key figures for October. Excluding pharmaceuticals where the data is unfortunately still based on outdated weights and therefore does not adequately reflect the production of weight-loss medicines, industrial production increased by 1.2% in October. Exports were DKK 1.2bn lower in October compared to the average for the third quarter, but most of the decline can be attributed to ships and aircraft following strong sales in September. Additionally, producer prices for goods intended for export fell in October. This is a trend observed throughout the year due to both the stronger DKK, particularly against the dollar, and declining prices for GLP1 drugs in the US, which account for a significant portion of Denmark's total exports.

November inflation held steady at 2.1%, with food prices falling 0.9% from October and marking the fourth consecutive monthly decline. Wage growth of 3.6% against 2.1% inflation is boosting purchasing power, setting the stage for potential consumption growth in 2026. Additionally, lower electricity taxes next year are expected to reduce living costs further, supporting a more optimistic outlook for Danish households.

Unemployment rose to 3.0% in November, ending a 20-month streak at 2.9%. The increase is partly due to Novo Nordisk cutting 5,000 jobs, but it is not a sign of crisis. The labour market largely remains relatively tight.

Sweden – Package holidays behind downside surprise to inflation

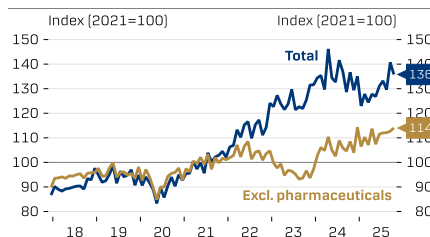
October economic activity data showed a slight decline, with lower production in the business sector as well as declining household consumption. The GDP indicator fell by 0.3% m/m, though its volatility warrants cautious interpretation. Overall, the data aligned with our expectations of slower growth for Q4, reflecting lagged effects of the summer slowdown, and does not alter the positive outlook heading into 2026.

Swedish LFS unemployment remains high. Unemployment edged down to 9.1% SA, which was higher than our expected 8.8%, but this was driven by increased labour force participation. Employment rose by 0.6% m/m, surpassing expectations. Additionally, SPES unemployment declined for the fourth consecutive month in November, standing at 6.7%.

Encouraging employment growth highlights the turnaround in the Swedish labour market. However, the high unemployment rate remains marginally dovish for the Riksbank, which will likely continue to express concerns about the labour market during their meeting next week.

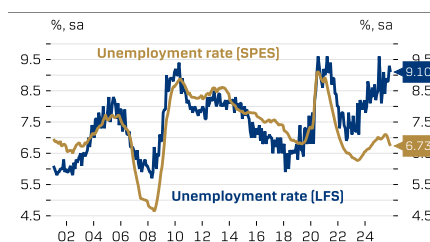
The final inflation figures for November confirmed the flash estimate. CPIF excluding energy showed 2.4% y/y, CPIF 2.3% and CPI 0.3%. The decline in November compared to October was larger than usual with -0.6% in core inflation. This was mainly due to a greater-than-expected decrease in recreation. Of the 0.4 percentage point forecast error in core inflation, 0.3 percentage points were explained by the unexpected drop in recreation, primarily from package holidays.

October industrial production excl. pharma rose 1.2% m/m



Source: Statistics Denmark, Danske Bank

LFS unemployment remains high



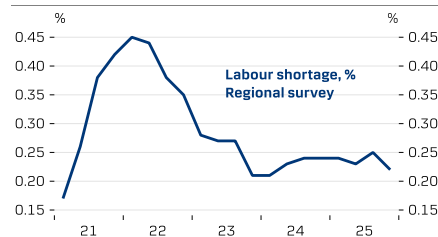
Source: Statistics Sweden, Swedish Public Employment Service, Macrobond and Danske Bank.

Norway – Lower inflation, weaker growth

Core inflation fell to 3.0% y/y in November and indicates that the disinflationary trend is intact. Details reveal that the drop in annual inflation from 3.4% to 3.0% was driven entirely by domestic and imported goods. Furthermore, annual growth rates on household appliances and electronics dropped back almost to September-levels, so some of this volatility was probably due to Black week-adjustments. Inflation on service ex. rent was marginally higher (from 3.8% to 3.9%), driven mostly by restaurants. The figure is marginally lower than Norges Bank's estimate from the September Monetary Policy Report (3.1%).

In the Regional survey from Norges Bank the aggregated production index for next quarter (Q1/26) dropped to 0.3, which is marginally lower than Norges Bank's expected growth from the September Monetary Policy Report (0.35%). More importantly, the capacity utilization dropped from 35% to 33%, and the indicator for labour shortage dropped from 25% to 22%. This strongly indicates that the output gap is falling again and looks a bit lower than Norges Bank expected in the September MPR. In combination with lower inflation and higher unemployment this points to a lower rate path in the MPR published next week. Wage growth this year was down from 4.5% to 4.4%, a bit lower than Norges Bank expected in September (4.7%).

The labour market is weakening



Source: Macrobond, Danske Bank

Calendar - 15-19 December 2025

Monday, December 15, 2025

				Period	Danske Bank	Consensus	Previous
-	US	New home sales	1000 (m/m)	Sep		709	800.0 (20.5%)
-	US	Construction spending	m/m	Sep		0.10%	0.20%
-	US	Housing starts	1000 (m/m)	Sep		1329	1307.0 (...)
-	US	Building permits, preliminary	1000 (m/m)	Sep		1350	1330.0 (...)
00:50	JN	Tankan large manufacturers index (outlook)	Index	4th quarter		15	14.0 12.0
00:50	JN	Tankan large non-manufacturers index (outlook)	Index	4th quarter		35	34.0 28.0
03:00	CH	Fixed assets investments	y/y	Nov		-2.30%	-1.70%
03:00	CH	Industrial production	y/y	Nov		5.00%	4.90%
03:00	CH	Retail sales	y/y	Nov		2.90%	2.90%
05:30	JN	Tertiary industry index	m/m	Oct		0.20%	0.30%
08:00	NO	Trade balance	NOK bn	Nov			56.5
11:00	EC	Industrial production	m/m y/y	Oct		0.7% 1.8%	0.2% 1.2%
14:30	CA	CPI	m/m y/y	Nov		... 2.3%	... 2.2%
14:30	US	Empire Manufacturing PMI	Index	Dec		9.7	18.7
16:00	US	NAHB Housing Market Index	Index	Dec		38	38
16:30	US	Fed's Williams speaks					

Tuesday, December 16, 2025

				Period	Danske Bank	Consensus	Previous
01:30	JN	Nikkei Manufacturing PMI, preliminary	Index	Dec			48.7
01:30	JN	Markit PMI services, preliminary	Index	Dec			53.2
08:00	UK	Unemployment rate (3M)	%	Oct		5.10%	5.00%
08:00	UK	Average weekly earnings ex bonuses (3M)	y/y	Oct		4.50%	4.60%
09:15	FR	PMI manufacturing, preliminary	Index	Dec		48.1	47.8
09:15	FR	PMI services, preliminary	Index	Dec		51.3	51.4
09:30	GE	PMI manufacturing, preliminary	Index	Dec		48.6	48.2
09:30	GE	PMI services, preliminary	Index	Dec		53	53.1
10:00	EC	PMI manufacturing, preliminary	Index	Dec	49.6	49.9	49.6
10:00	EC	PMI composite, preliminary	Index	Dec	52.7	52.6	52.8
10:00	EC	PMI services, preliminary	Index	Dec	53.3	53.3	53.6
10:00	IT	HICP, final	m/m y/y	Nov		-0.2% 1.1%	-0.2% 1.1%
10:30	UK	PMI manufacturing, preliminary	Index	Dec		50.4	50.2
10:30	UK	PMI services, preliminary	Index	Dec		51.7	51.3
11:00	EC	Trade balance	EUR bn	Oct			18.7
11:00	GE	ZEW current situation	Index	Dec		-79.8	-78.7
11:00	GE	ZEW expectations	Index	Dec		39	38.5
14:00	HU	Central Bank of Hungary rate decision	%		6.50%	6.50%	6.50%
14:30	US	Non farm payrolls (October)	1000	Oct	20		
14:30	US	Non farm payrolls	1000	Nov	50	50	
14:30	US	Unemployment	%	Nov	4.40%	4.40%	
14:30	US	Average hourly earnings, non-farm	m/m y/y	Nov	0.3%	0.3% 3.6%
14:30	US	Retail sales control group	m/m	Oct		0.40%	-0.10%
15:45	US	Markit PMI manufacturing, preliminary	Index	Dec			52.2
15:45	US	Markit PMI service, preliminary	Index	Dec			54.1

Wednesday, December 17, 2025

				Period	Danske Bank	Consensus	Previous
00:50	JN	Exports	y/y (%)	Nov		0.1	0
00:50	JN	Import	y/y (%)	Nov		0	0
00:50	JN	Trade balance, s.a.	JPY bn	Nov		-211.1	-4.2
00:50	JN	Machine orders	m/m y/y	Oct		-1.8% 3.7%	4.2% 11.6%
08:00	UK	CPI	m/m y/y	Nov		0.0% 3.4%	0.4% 3.6%
08:00	UK	CPI core	y/y	Nov		3.30%	3.40%
10:00	GE	IFO - business climate	Index	Dec		88.3	88.1
10:00	GE	IFO - current assessment	Index	Dec		85.8	85.6
10:00	GE	IFO - expectations	Index	Dec		90.5	90.6
11:00	EC	HICP inflation, final	m/m y/y	Nov	-0.3% 2.2%	-0.3% 2.2%	-0.3% 2.2%
11:00	EC	HICP core inflation, final	y/y	Nov	2.40%	2.40%	2.40%
11:00	EC	Labour costs	y/y	3rd quarter			3.60%
14:15	US	Fed's Waller speaks					
15:05	US	Fed's Williams speaks					
16:30	US	DOE U.S. crude oil inventories	K				-1812
18:30	US	Fed's Bostic speaks					
22:45	NZ	GDP	q/q y/y	3rd quarter		0.8% 1.3%	-0.9% -0.6%

Source: Danske Bank

Calendar - 15-19 December 2025

Thursday, December 18, 2025

				Period	Danske Bank	Consensus	Previous
08:45	FR	Business confidence	Index	Dec		98	98
09:30	SW	Riksbank, rate decision	%		1.75%	1.75%	1.75%
10:00	NO	Norges Banks monetary policy meeting	%		4.00%	4.00%	4.00%
13:00	UK	BoE minutes				0.0375	0.04
13:00	UK	BoE Bank rate	%		3.75%	3.75%	4.00%
14:15	EC	ECB announces deposit rate	%		2.00%	2.00%	2.00%
14:30	US	Initial jobless claims	1000				236
14:30	US	Philly Fed index	Index	Dec		2.2	-1.7
14:30	US	CPI headline	m/m/y/y	Nov	... 3.0%	... 3.1%
14:30	US	CPI core	m/m/y/y	Nov	... 3.0%	... 3.0%
14:45	EC	ECB's Lagarde speaks					
22:00	US	TICS international capital flow, Net inflow	USD bn	Oct			190.1

Friday, December 19, 2025

				Period	Danske Bank	Consensus	Previous
-	JN	BoJ policy rate	%		0.75%	0.75%	0.50%
00:30	JN	CPI - national	y/y	Nov		2.90%	3.00%
00:30	JN	CPI - national ex. fresh food	y/y	Nov		3.00%	3.00%
01:01	UK	GfK consumer confidence	Index	Dec		-17	-19
08:00	DE	Consumer confidence	Net. bal.	Dec			-20.1
08:00	DE	Retail sales	m/m/y/y	Nov			0.9% 4.9%
08:00	GE	GfK consumer confidence	Net. Bal.	Jan		-23	-23.2
08:00	NO	Unemployment	%	Dec	2.20%		2.10%
08:00	SW	Retail sales s.a.	m/m/y/y	Nov			-0.3% 3.4%
08:00	UK	Retail sales ex fuels	m/m/y/y	Nov		-0.1% 1.4%	-1.0% 1.2%
09:00	SW	Consumer confidence	Index	Dec			96.1
09:00	SW	Economic Tendency Survey	Index	Dec			101.7
09:00	SW	Manufacturing confidence	Index	Dec			100.9
09:15	SW	NIER economic forecasts					
10:00	EC	Current account	EUR bn	Oct			23.1
11:30	RU	Central Bank of Russia rate decision	%			16.00%	16.50%
14:30	CA	Retail sales	m/m	Oct		0.00%	-0.70%
16:00	EC	Consumer confidence, preliminary	Net bal.	Dec		-14	-14.2
16:00	US	Existing home sales	m (m/m)	Nov		4.15	4.10 0.012
16:00	US	University of Michigan Confidence, final	Index	Dec			53.3

Source: Danske Bank

Macroeconomic forecast

Scandinavia

	Year	GDP ¹	Private cons. ¹	Public cons. ¹	Fixed inv. ¹	Exports ¹	Imports ¹	Inflation ¹	Wage growth ¹	Unem-ploym. ²	Public budget ³	Public debt ³	Current acc. ³
Denmark	2025	2.6	1.8	0.0	-2.8	2.8	-0.4	1.9	3.8	2.9	2.4	28.9	12.3
	2026	2.7	2.1	3.5	2.6	4.7	4.1	1.1	3.4	3.0	0.8	27.9	12.9
	2027	2.1	2.8	2.4	2.3	2.7	3.4	1.8	3.3	3.0	0.9	26.7	12.9
Sweden	2025	1.9	1.6	0.9	1.3	5.6	4.9	2.7	3.6	8.7	-	33.8	-
	2026	2.6	2.5	1.7	4.1	3.2	3.2	1.2	3.5	8.3	-	34.2	-
	2027	2.4	2.8	1.7	3.2	2.8	3.2	2.0	3.5	7.5	-	35.9	-
Norway	2025	1.7	2.7	3.0	1.4	2.0	1.5	3.1	4.7	2.2	-	-	-
	2026	1.6	2.5	1.5	1.5	1.0	1.8	2.2	3.7	2.3	-	-	-
	2027	1.6	2.2	1.8	1.5	1.0	2.0	2.4	3.5	2.3	-	-	-

Euroland

	Year	GDP ¹	Private cons. ¹	Public cons. ¹	Fixed inv. ¹	Exports ¹	Imports ¹	Inflation ¹	Wage growth ¹	Unem-ploym. ²	Public budget ³	Public debt ³	Current acc. ³
Euro area	2025	1.4	1.3	1.4	2.0	1.8	3.0	2.1	3.4	6.4	-3.2	88.8	2.7
	2026	1.2	1.3	1.4	1.7	0.9	1.6	1.8	2.8	6.4	-3.3	89.8	2.5
	2027	1.4	1.3	1.4	1.7	1.2	1.2	1.9	2.8	6.2	-3.4	90.4	2.4
Finland	2025	0.3	0.0	-2.1	0.1	4.3	2.1	0.5	3.1	9.5	-4.4	89.5	-
	2026	1.5	1.7	-1.7	2.5	3.2	2.2	1.4	3.7	9.3	-3.6	90.6	-
	2027	1.8	2.2	-0.3	2.9	2.1	1.8	1.8	3.0	8.7	-3.5	90.9	-

Global

	Year	GDP ¹	Private cons. ¹	Public cons. ¹	Fixed inv. ¹	Exports ¹	Imports ¹	Inflation ¹	Wage growth ¹	Unem-ploym. ²	Public budget ³	Public debt ³	Current acc. ³
USA	2025	1.8	2.4	1.3	3.4	0.1	2.6	2.8	3.5	4.3	-5.6	99.9	-3.6
	2026	1.9	1.3	1.6	5.3	0.9	0.9	2.6	3.5	4.5	-6.2	101.7	-3.3
	2027	1.7	1.3	1.6	4.8	2.8	4.6	2.6	4.0	4.3	-6.3	103.4	-3.3
China	2025	4.9	4.5	-	4.5	-	-	0.0	-	5.2	-9.1	96.8	1.7
	2026	4.8	4.8	-	5.0	-	-	0.7	-	5.2	-9.0	102.8	1.5
	2027	4.7	4.7	-	4.8	-	-	1.0	-	5.2	-9.1	106.4	1.5

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

Financial forecast

Bond and money markets

		Key interest rate	3m interest rate	2-yr swap yield	10-yr swap yield	Currency vs EUR	Currency vs USD	Currency vs DKK	Currency vs NOK	Currency vs SEK
USD*	11-Dec	4.00	-	3.34	3.72	0.85	-	6.35	10.08	9.24
	+3m	3.75	-	3.30	3.81	0.85	-	6.32	10.08	9.49
	+6m	3.50	-	3.25	3.85	0.83	-	6.21	10.08	9.42
	+12m	3.25	-	3.25	3.95	0.82	-	6.11	10.08	9.34
EUR	11-Dec	2.00	2.05	2.30	2.89	-	1.18	7.4690	11.85	10.87
	+3m	2.00	2.05	2.20	2.70	-	1.18	7.4600	11.90	11.20
	+6m	2.00	2.05	2.20	2.70	-	1.20	7.4575	12.10	11.30
	+12m	2.00	2.05	2.25	2.70	-	1.22	7.4550	12.30	11.40
JPY	11-Dec	0.50	-	-	-	0.005	0.006	4.10	6.49	5.96
	+3m	0.75	-	-	-	0.006	0.007	4.16	6.63	6.24
	+6m	1.00	-	-	-	0.006	0.007	4.17	6.77	6.32
	+12m	1.00	-	-	-	0.006	0.007	4.21	6.95	6.44
GBP*	11-Dec	4.00	-	3.56	4.00	1.14	1.34	8.53	13.53	12.42
	+3m	3.50	-	3.55	4.00	1.12	1.33	8.38	13.37	12.58
	+6m	3.50	-	3.49	4.05	1.11	1.33	8.29	13.44	12.56
	+12m	3.50	-	3.40	4.10	1.11	1.36	8.28	13.67	12.67
CHF	11-Dec	0.00	-	-	-	1.07	1.26	8.00	12.69	11.64
	+3m	0.00	-	-	-	1.09	1.28	8.11	12.93	12.17
	+6m	0.00	-	-	-	1.10	1.32	8.20	13.30	12.42
	+12m	0.00	-	-	-	1.10	1.34	8.19	13.52	12.53
DKK	11-Dec	1.60	1.99	2.40	3.05	0.134	0.157	-	1.59	1.45
	+3m	1.60	2.04	2.30	2.85	0.134	0.158	-	1.60	1.50
	+6m	1.60	2.04	2.30	2.85	0.134	0.161	-	1.62	1.52
	+12m	1.60	2.04	2.35	2.85	0.134	0.164	-	1.65	1.53
SEK	11-Dec	1.75	1.89	2.27	3.01	0.092	0.108	0.69	1.09	-
	+3m	1.75	1.91	2.30	2.95	0.089	0.105	0.67	1.06	-
	+6m	1.75	1.93	2.45	2.95	0.088	0.106	0.66	1.07	-
	+12m	1.75	2.14	2.50	3.05	0.088	0.107	0.65	1.08	-
NOK	11-Dec	4.00	4.15	4.16	4.17	0.084	0.099	0.63	-	0.92
	+3m	4.00	3.98	3.93	3.94	0.084	0.099	0.63	-	0.94
	+6m	3.75	3.78	3.74	3.85	0.083	0.099	0.62	-	0.93
	+12m	3.25	3.30	3.55	3.85	0.081	0.099	0.61	-	0.93

*Notes: GBP swaps are SONIA, USD swaps are SOFR

Commodities

	11-Dec	2025				2026					Average		
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		2024	2025	2026
ICE Brent	62	75	67	68	65	70	75	80	85		80	69	78

Source: Danske Bank

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