

Weekly Focus

Stronger dollar and higher yields after Trump victory

Donald Trump won the US election to become the next president, and it seems that the Republicans likely won a majority in both chambers of Congress. Trump was slim favourite ahead of the election, so **the result was partially priced in already, but there was still a clear market reaction** in that bond yields are up by some 10bp, the USD has strengthened around 1% and US stock prices are up by 4-5%. As has been the case for months, the market expects a Trump administration to mean an even more expansionary fiscal policy, higher tariffs (which imply a stronger USD) and deregulation, which could improve corporate earnings.

At its meeting just after the election, the **US central bank delivered a 25bp rate cut** as expected and did not send any new signals regarding the rate outlook. Part of the increase in bond yields since and just before the election is driven by higher inflation expectations, as the Trump policy agenda is seen as more inflationary. If this continues, it could eventually lead to the Fed becoming more hawkish and signalling that rate cuts could end earlier, but so far, inflation expectations have not become excessively high. Actual inflation was to the high side in September, but that might well look better in the October number that we get on Wednesday, likely the most important data release of the week.

In Europe, bond yields did not follow US yields up. Instead, there was a modest decline in short-term rates, as the result was seen as increasing risks of lower growth in the European economy and hence increasing the probability of ECB rate cuts. As we see it, this risk should not be overstated, at least in the short term. Although European exports to the US could well face higher tariffs from next year, **it seems highly unlikely that the tariffs will result in a tightening of US fiscal policy and hence a dampening of global demand** and US imports. However, there is in any case increasing concerns over European growth and the risk that inflation could become too low, and we maintain our expectation that the ECB will cut rates by 25bp at every meeting until September, with the possibility that they might chose a 50bp rate cut at the next meeting. One reason is the outlook for fiscal tightening in Europe in 2025. In the coming week, we will get updated forecasts on this and the economy in general from the European Commission.

Further complicating the situation, the **German government has collapsed**, partly over disagreement about fiscal policy. Markets see an increasing chance that fiscal policy might be eased in the longer term.

The Bank of England delivered a 25bp rate cut this week as expected, but also turned a bit more hawkish as it revised its inflation and growth outlooks substantially higher. Central banks in Norway and Sweden went in opposite directions with a hold in Norway and a 50bp cut in Sweden, see the Scandi Update section.

We did not get the hoped-for concrete numbers for fiscal stimulus in **China**, other than a statement that it will be “forceful”. However, there was an announcement of a CNY 6tn local government debt swap program which should ease the situation for local governments and make them able to support the economy more. All in all, it remains unclear to what extent policies will be able to turn the situation around for Chinese growth.

Key global views

- Global manufacturing to gradually improve
 - Recession risk remains low
 - Fed and ECB to ease further at a steady pace
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Key market movers

- Monday: Japan selects new Prime Minister
 - Tuesday: German ZEW
 - Wednesday: US CPI
 - Friday: US retail sales and industrial production, and European Commission economic forecasts
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Selected reading from Danske Bank

- *Research euro area - Fiscal policy to slow growth in 2025 - but mind the RFF*, 6 November
 - *Reading the Markets USD - Post US election market recap*, 6 November
 - *Bank of England Review - Gradual easing supports a stronger GBP*, 7 November
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Scandi market movers

- In **Denmark**, we will receive October inflation data on Monday. We expect energy prices and food to drive inflation higher to 1.7% from 1.3% in September. Housing equipment and clothing prices increased by more than usual in September, driving core inflation higher. It will be interesting to see if some of this corrects in October, or if prices have more permanently shifted higher.

On Monday, we also get data on exports. Last month export grew by 4.8%. It will be interesting to see if Danish manufacturers can uphold this high level of activity with the global manufacturing sector underperforming.

Tuesday, we will receive the unemployment indicator for October. We are eager to see how it aligns with the indicator released by jobindsats.dk, where we saw an increase of 500 persons, which follows the tendency of increasing unemployment.

- In **Sweden**, the Riksbank minutes will be released on Wednesday 13 November at 09:30 CET. We will look for the views on the balance between inflation outcome vs business cycle weakness as this was apparently important for the decision.

Final October inflation will be released Thursday 14 November. We assume the preliminary outcome is correct which means that CPIF and CPIF excl. energy are 0.4 and 0.3 p.p. above the Riksbank's forecast, at 1.5% y/y and 2.1% y/y, respectively. This outcome will only provide colour to the composition of inflation. Riksbank financial stability report will also be released on 14 November. Additionally, PES and LFS will release October unemployment.

- Core inflation in **Norway** has continued to decline, falling to 3.1% in September. The drop is relatively broad-based, apart from rents, which are still holding up. At the same time, the underlying inflation, measured as annualized monthly growth over the past three months, fell to 1.6% in September. The combination of low global price impulses and a stabilization of the exchange rate over the summer probably contributed to the fact that imported inflation was also moderate in October. Service prices also rose unusually smuch in October last year, and a more usual seasonal pattern this year will drag down annual growth. Hence, we expect that core inflation eased to 2.6% in October, with the risk slightly to the upside. In that case, it will once again be lower than Norges Bank's estimate, but hardly enough for Norges Bank to cut rates in December.

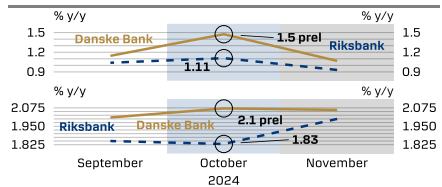
We expect inflation to increase to 1.7%

Denmark



Source: Statistics Denmark, Macrobond, Danske Bank

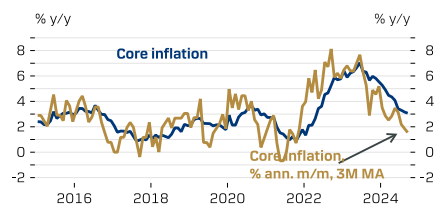
Swedish CPIF (upper panel) and CPIF excl. energy (lower panel) forecasts, % y/y



Source: SCB, Riksbank, Macrobond, Danske Bank

Disinflation continues

Norway



Source: Statistics Norway, Macrobond, Danske Bank

Scandi Update

Denmark – industrial production declines in September, but shows growth in Q3

Industrial production decreased by 4.9% in September compared to August. However, when excluding the pharmaceutical industry, the fall was limited to 2.2%. These figures, though negative, reflect that Danish production remains comparatively robust within the European context. For Q3, industrial production increased by 2.1%. Notably, the machinery industry has demonstrated resilience and growth over the year, although September was not good in isolation with a decrease of 14.4%.

There were 193 declared bankruptcies in Danish companies in October, which was a 12.6% decrease compared to September. The number of bankruptcies can vary quite drastically from month-to-month. Therefore, it is easier to interpret on the trend, where we saw a 12-month moving average decline, since there were 263 declared bankruptcies in October last year. The trend is coming down from high levels a year ago. Today the number of bankruptcies is only slightly higher than the level we saw in the years leading up to the pandemic. The number of bankruptcies could continue to decline, as we expect household demand to increase as purchasing power is currently increasing at a high pace.

As expected, Danmarks Nationalbank did not intervene on the foreign exchange market in October, since EUR/DKK is still close to the central rate.

Sweden – Riksbank goes 50bps as expected

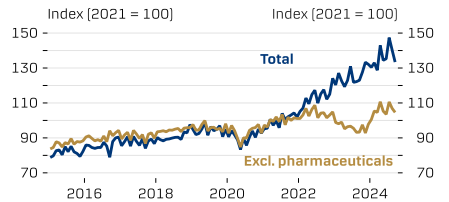
As expected and priced by markets, the Riksbank delivered a 50bp cut of the policy rate to 2.75% and signalled that the guidance from September stands, saying "If the outlook for economic activity and inflation remains the same, the policy rate may also be cut in December and during the first half of 2025, in line with what was communicated in September." The Riksbank confirms that the attention now seems to be on supporting growth and the expected recovery for next year: "To further support economic activity, the policy rate needs to be cut somewhat faster than was assessed in September. It is important in itself that economic activity strengthens, but it is also a necessary condition for inflation to stabilise close to the target."

The Riksbank highlighted uncertainty around the economic recovery, international developments on economic policies (i.e. the US election), geopolitics and the SEK. We continue to expect 25bp cuts over the next three meetings and finally reaching an endpoint of 1.75% by June, but also admit that the uncertainty looking into next year is high.

It should be noted, however, that October preliminary inflation turned out considerably above the Riksbank's forecasts (CPI at 1.5% y/y vs forecast at 1.1% y/y and CFPIF excl. energy at 2.1% y/y vs forecast at 1.8% y/y). The Riksbank did not have this info at the time of the November decision, and it may be of importance at the December meeting. On the other hand, the October preliminary data was still below or close to the Riksbank's target, which reduces the severity of the deviation. At the December meeting, the Riksbank will also have to consider the November inflation outcome that it will have access to at that point.

Decline in industrial production

Denmark, Industrial Production



Source: Statistics Denmark, Macrobond, Danske Bank

October preliminary inflation well above Riksbank's forecasts

October prel		Danske	Market	Riksbank	Actual	Diff vs Riksbank
CPI	% mom	0.2	0.1	0.2	0.2	0.0
	% yoy	1.6	1.5	1.3	1.6	0.3
CPIF	% mom	0.3	0.3	0.4	0.4	0.0
	% yoy	1.4	1.3	1.1	1.5	0.4
CPIF excl. Energ	% mom	0.1	0.1	0.2	0.2	0.0
	% yoy	2.0	2.0	1.8	2.1	0.3

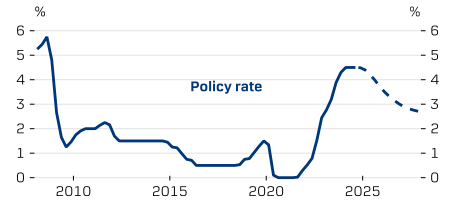
Source: SCB, Riksbank, Bloomberg, Danske Bank

Norway – Norges Bank on hold as expected

As expected, Norges Bank (NB) kept the policy rate unchanged at 4.5% at the November rate meeting. This was an intermediate meeting, without new forecasts but only a press release and press conference. Also, NB gave no new signals about monetary policy going forward and repeated that *“the policy rate will likely be kept at that level to the end of 2024”*, but also said that the time for the first rate cut is approaching. There were no major surprises in NB's assessment of developments since the meeting in September. Inflation has been lower than expected, growth roughly as expected, while the exchange rate is somewhat weaker and global rate expectations are somewhat higher than assumed. Not unexpectedly, NB stressed that it is too early to assess the effect of the US presidential election, both in terms of timing and how it will affect growth and inflation prospects in Norway.

Norges Bank on hold until next year

Norway, Rate Decision



Source: Norges Bank, Macrobond, Danske Bank

Calendar – 11-15 November 2024

During the week				Period	Danske Bank	Consensus	Previous
Sat 09	CNY	Money supply M2	y/y	Oct		7.0%	6.8%
Sat 09	CNY	PPI	y/y	Oct		-2.5%	-2.8%
Sat 09	CNY	CPI	y/y	Oct		0.4%	0.4%
Sat 09	EUR	ECB's Lagarde speaks					
Monday, November 11, 2024				Period	Danske Bank	Consensus	Previous
8:00	NOK	CPI	m/m y/y	Oct			0.3% 3.0%
8:00	NOK	PPI	m/m y/y	Oct			-1.9% -2.9%
8:00	DKK	Current account (nsa sa)	DKK bn	Sep			... 33.6
8:00	DKK	CPI	m/m y/y	Oct	0.7% 1.7%		-0.3% 1.3%
8:00	NOK	Core inflation (CPI-ATE)	m/m y/y	Oct	0.2% 2.6%		0.3% 3.1%
Tuesday, November 12, 2024				Period	Danske Bank	Consensus	Previous
8:00	DEM	HICP, final	m/m y/y	Oct		0.4% 2.4%	0.4% 2.4%
8:00	GBP	Unemployment rate (3M)	%	Sep		4.1%	4.0%
8:00	GBP	Average weekly earnings ex bonuses (3M)	y/y	Sep		4.7%	4.9%
11:00	DEM	ZEW current situation	Index	Nov		-86.0	-86.9
11:00	DEM	ZEW expectations	Index	Nov		12.5	13.1
12:00	USD	NFIB small business optimism	Index	Oct		91.8	91.5
16:15	USD	Fed's Barkin speaks					
23:00	USD	Fed's Harker speaks					
Wednesday, November 13, 2024				Period	Danske Bank	Consensus	Previous
7:30	FRF	ILO unemployment	%	3rd quarter		7.4%	7.3%
14:30	USD	CPI headline	m/m y/y	Oct	0.1% 2.5%	0.2% 2.6%	0.2% 2.4%
14:30	USD	CPI core	m/m y/y	Oct	0.2% 3.2%	0.3% 3.3%	0.3% 3.3%
20:00	USD	Budget statement	USD bn	Oct			64.3
Thursday, November 14, 2024				Period	Danske Bank	Consensus	Previous
1:01	GBP	RICS house price balance	Index	Oct		0.1	0.1
1:30	AUD	Employment change	1000	Oct		25	64.1
8:00	SEK	CPI, final	m/m y/y	Oct		... 1.6%	0.2% 1.6%
8:00	SEK	Underlying inflation CPIF, final	m/m y/y	Oct		... 1.5%	0.4% 1.5%
8:00	SEK	Underlying inflation CPIF excl energy, final	m/m y/y	Oct		... 2.1%	0.2% 2.1%
9:00	ESP	HICP, final	m/m y/y	Oct		0.4% 1.8%	0.4% 1.8%
11:00	EUR	Industrial production	m/m y/y	Sep		-1.2% -1.7%	1.8% 0.1%
11:00	EUR	GDP, preliminary	q/q y/y	3rd quarter		0.4% 0.9%	0.4% 0.9%
11:00	EUR	Employment, preliminary	q/q y/y	3rd quarter			0.2% 0.8%
14:30	USD	Initial jobless claims	1000				221
14:30	USD	PPI	m/m y/y	Oct		0.2% 2.3%	0.0% 1.8%
14:30	USD	PPI core	m/m y/y	Oct		0.3% ...	0.2% 2.8%
15:15	USD	Fed's Barkin speaks					
17:00	USD	DOE U.S. crude oil inventories	K				2149
21:00	USD	Fed chair Powell speaks					
22:15	USD	Fed's Williams speaks					
Friday, November 15, 2024				Period	Danske Bank	Consensus	Previous
0:50	JPY	GDP deflator, preliminary	y/y	3rd quarter		2.8%	3.2%
0:50	JPY	GDP, preliminary	q/q ann.	3rd quarter		0.2% 0.7%	0.7% 2.9%
3:00	CNY	Fixed assets investments	y/y	Oct		3.5%	3.4%
3:00	CNY	Industrial production	y/y	Oct		5.5%	5.4%
3:00	CNY	Retail sales	y/y	Oct		3.8%	3.2%
5:30	JPY	Industrial production, final	m/m y/y	Sep			1.4% -2.8%
8:00	GBP	GDP, preliminary	q/q y/y	3rd quarter		0.2% 1.0%	0.5% 0.7%
8:00	GBP	Monthly GDP estimate	m/m q/q	Sep		0.2% ...	0.2% ...
8:00	GBP	Index of services	m/m 3m/3m	Sep		0.2% 0.2%	0.1% 0.1%
8:00	NOK	Trade balance	NOK bn	Oct			42.8
8:45	FRF	HICP, final	m/m y/y	Oct		0.3% 1.5%	0.3% 1.5%
10:00	ITL	HICP, final	m/m y/y	Oct		... 1.0%	... 1.0%
11:00	EUR	New economic forecasts from the European Commission					
14:30	USD	Retail sales control group	m/m	Oct		0.2%	0.7%
14:30	USD	Import prices	m/m y/y	Oct		-0.1% ...	-0.4% -0.1%
14:30	USD	Empire Manufacturing PMI	Index	Nov		3.5	-11.9
15:15	USD	Capacity utilization	%	Oct		77.3%	77.5%
15:15	USD	Industrial production	m/m	Oct		-0.2%	-0.3%
15:15	USD	Manufacturing production	m/m	Oct		-0.3%	-0.4%

Source: Danske Bank

Macroeconomic forecast

Macro forecast. Scandinavia

	Year	GDP ¹	Private cons. ¹	Public cons. ¹	Fixed inv. ¹	Ex-ports ¹	Im-ports ¹	Infla-tion ¹	Wage growth ¹	Unem-ploym ²	Public budget ³	Public debt ³	Current acc. ³
Denmark	2023	2.5	1.3	0.2	-6.6	10.4	3.7	3.3	4.1	2.8	3.3	33.6	9.8
	2024	1.8	1.0	1.7	-1.8	3.7	0.8	1.5	5.1	2.9	2.1	32.0	10.1
	2025	2.0	2.1	2.6	3.8	2.6	3.3	1.9	3.5	3.1	1.1	30.5	10.9
Sweden	2023	0.1	-2.2	1.1	-1.1	3.5	-0.8	8.6	3.8	7.7	-0.5	32.0	4.8
	2024	1.2	0.1	0.8	-1.8	2.4	0.8	2.8	3.5	8.4	-0.8	33.0	5.6
	2025	2.4	2.6	1.9	1.6	3.5	3.3	0.6	2.5	8.2	-0.2	33.0	5.7
Norway	2023	1.1	-0.8	3.4	0.0	1.4	0.7	5.5	5.3	1.8	-	-	-
	2024	0.7	1.3	2.2	4.0	3.0	1.5	3.2	5.1	2.1	-	-	-
	2025	2.0	2.9	1.8	4.0	3.0	2.0	2.0	3.8	2.4	-	-	-

Macro forecast. Euroland

	Year	GDP ¹	Private cons. ¹	Public cons. ¹	Fixed inv. ¹	Ex-ports ¹	Im-ports ¹	Infla-tion ¹	Wage growth ¹	Unem-ploym ²	Public budget ³	Public debt ³	Current acc. ³
Euro area	2023	0.5	0.7	1.6	1.8	-0.5	-1.1	5.4	5.2	6.6	-3.6	90.2	2.9
	2024	0.7	0.8	1.2	-0.5	1.3	-0.2	2.4	4.3	6.5	-3.0	90.1	2.8
	2025	1.2	1.3	0.8	1.3	3.0	3.1	2.0	3.4	6.6	-2.9	90.7	2.9
Finland	2023	-1.2	0.3	3.4	-9.0	0.2	-6.6	6.3	4.2	7.2	-3.0	77.1	-0.4
	2024	-0.4	0.2	0.5	-5.0	-1.0	-1.5	1.9	3.0	8.3	-4.1	80.3	-0.7
	2025	1.8	1.2	0.2	5.0	3.0	3.5	1.5	3.0	8.0	-3.5	81.8	-0.5

Macro forecast. Global

	Year	GDP ¹	Private cons. ¹	Public cons. ¹	Fixed inv. ¹	Ex-ports ¹	Im-ports ¹	Infla-tion ¹	Wage growth ¹	Unem-ploym ²	Public budget ³	Public debt ³	Current acc. ³
USA	2023	2.9	2.5	3.9	2.4	2.8	-1.2	4.1	4.3	3.6	-6.3	122.3	-3.0
	2024	2.5	2.1	3.4	4.1	2.0	4.1	2.9	3.2	4.1	-6.7	123.1	-2.8
	2025	1.5	1.2	2.6	3.5	1.9	4.5	2.5	2.5	4.7	-6.5	125.1	-2.6
China	2023	5.2	6.6	-	4.6	-	-	0.2	-	5.2	-7.1	83.6	1.5
	2024	4.8	4.5	-	5.0	-	-	0.3	-	5.3	-7.4	88.6	1.3
	2025	5.2	5.6	-	5.5	-	-	1.7	-	5.2	-8.1	93.5	1.2
UK	2023	0.1	-	-	-	-	-	7.3	-	4.0	-	-	-
	2024	1.1	-	-	-	-	-	2.8	-	4.6	-	-	-
	2025	1.4	-	-	-	-	-	1.9	-	4.9	-	-	-

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*	07-Nov	4.75	-	4.03	3.91	0.93	-	6.90	10.84	10.69
	+3m	4.25	-	3.64	3.65	0.93	-	6.97	10.93	10.56
	+6m	3.75	-	3.44	3.60	0.94	-	7.03	11.32	10.94
	+12m	3.25	-	3.15	3.50	0.95	-	7.10	11.71	11.05
EUR	07-Nov	3.25	3.05	2.32	2.41	-	1.08	7.4584	11.71	11.55
	+3m	2.75	2.48	2.28	2.40	-	1.07	7.4575	11.70	11.30
	+6m	2.25	1.98	1.99	2.40	-	1.06	7.4550	12.00	11.60
	+12m	1.50	1.55	1.85	2.25	-	1.05	7.4550	12.30	11.60
JPY	07-Nov	0.25	-	-	-	0.006	0.007	4.51	7.08	6.99
	+3m	0.50	-	-	-	0.006	0.007	4.84	7.59	7.33
	+6m	0.75	-	-	-	0.007	0.007	5.02	8.09	7.82
	+12m	1.00	-	-	-	0.007	0.007	5.26	8.68	8.18
GBP*	07-Nov	4.75	-	4.28	4.07	1.20	1.11	8.97	14.07	13.89
	+3m	4.50	-	4.04	3.90	1.22	1.30	9.09	14.27	13.78
	+6m	4.25	-	3.89	3.79	1.23	1.31	9.20	14.81	14.32
	+12m	3.25	-	3.55	3.60	1.22	1.28	9.09	15.00	14.15
CHF	07-Nov	1.00	-	-	-	1.06	1.15	7.92	12.42	12.26
	+3m	0.75	-	-	-	1.08	1.15	8.02	12.58	12.15
	+6m	0.50	-	-	-	1.09	1.15	8.10	13.04	12.61
	+12m	0.50	-	-	-	1.10	1.15	8.19	13.52	12.75
DKK	07-Nov	2.85	2.95	2.38	2.53	0.134	0.145	-	1.57	1.55
	+3m	2.35	2.38	2.33	2.56	0.134	0.143	-	1.57	1.52
	+6m	1.85	1.88	2.03	2.55	0.134	0.142	-	1.61	1.56
	+12m	1.10	1.45	1.90	2.40	0.134	0.141	-	1.65	1.56
SEK	07-Nov	2.75	2.76	2.19	2.51	0.087	0.094	0.65	1.01	-
	+3m	2.25	2.27	1.95	2.51	0.088	0.095	0.66	1.04	-
	+6m	2.00	2.01	2.00	2.55	0.086	0.091	0.64	1.03	-
	+12m	1.75	1.85	2.10	2.65	0.086	0.091	0.64	1.06	-
NOK	07-Nov	4.50	4.82	4.33	4.03	0.085	0.092	0.64	-	0.99
	+3m	4.50	4.64	4.14	3.79	0.085	0.091	0.64	-	0.97
	+6m	4.25	4.39	3.89	3.64	0.083	0.088	0.62	-	0.97
	+12m	3.75	3.90	3.55	3.55	0.081	0.085	0.61	-	0.94

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

Commodities

	07-Nov	2024				2025				Average	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2024	2025
ICE Brent	76	82	85	79	80	85	85	85	85	82	85

Source Danske Bank

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