2 November 2026

Executive Briefing

Pause in hiking cycle amid higher energy prices

Spillovers from energy prices to broader price setting remain limited, which has provided central banks with some breathing room. Thus, the ECB, the Fed and the Bank of Japan all left rates unchanged in October. However, we expect each of them to raise their policy rates again in December.

US CPI inflation increased to 3.7% in September, but core inflation remained muted, with modest signs of spillover from energy prices. Data for the UK and the euro area largely paints a similar picture. In the euro area, detailed data shows limited domestic price pressures and even a further decline in energy-sensitive inflation in September. Flash data releases from the major economies in the euro area suggest **headline inflation continued to edge higher in October, but, so far, there are no signs that this is the case for core inflation.**

Even though evidence from hard data remains very limited, **there are other signs that cost pressures are mounting.** Businesses in Europe have increased their selling price expectations, and China is becoming an increasingly inflationary force in the global economy with exports rising at still higher prices, not least driven by higher prices for microchips. October data continues to paint a picture of weak domestic demand but solid exports.

Elsewhere in Asia, the Bank of Japan now sees underlying inflation as "generally consistent" with its 2 percent target. In other words, the efforts initiated in 2013, when the 2% inflation target, heavy QE and later yield curve control were introduced, have finally borne fruit, and **Japan is officially free of deflation.**

Meanwhile, volatile energy markets continue to keep inflation concerns alive, with oil prices edging higher through October as markets speculate about the possibility of a renewed US attack on Iran after the US midterm elections. Natural gas prices in Europe climbed above EUR100 per MWh for the first time in four years.

The global economy continues to prove robust to higher energy costs, though. The US economy even picked up speed, with 0.8% qoq GDP growth driven by consumer spending and investment exceeding already high expectations. Annual GDP growth in Taiwan, the largest semiconductor producer in the world, was 14.4% in Q3, while semiconductor exports from South Korea were up 256% yoy in October, continuing to fuel the AI capital expenditure boom.

Excluding volatile data from Ireland, which do not reflect economic activity, euro area GDP growth was 0.2%, which is decent considering the current headwinds and the fact that there is not much spare capacity. **PMIs suggest momentum weakened a bit across the major economies in October but remains particularly strong in the US.**

Today's key points

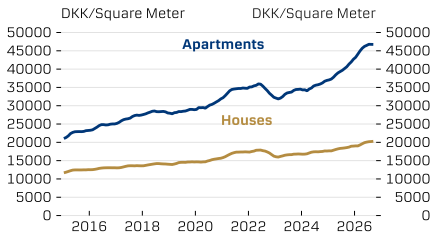
- Energy prices, especially gas, continue to rise but central banks took a pause from rate hikes in October as there are still few signs that inflation is broadening.
- In the Nordic Countries, growth indicators are pointing to relatively good performance, although with a bit more weakness in Norway.
- Concerns over the fiscal situation in France continue to play a role in currency and bond markets.
- Credit and equity markets are especially focused on the AI-related companies and their investments, where we have seen some cases of doubt starting to surface over business plans.

Editor-in chief
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(see page 4 for a list of all authors)

Denmark

Our Spending Monitor and car registration data indicate that consumer spending has returned to growth after stagnating in Q2, and the business sentiment indicator continue to indicate growth just above the historical norm in the non-pharma economy. Job growth has picked up slightly to 2,800 a month on average for June-August. The minority government has proposed a budget which will add 0.4% of GDP to demand in 2027, although it is uncertain how much of that is import of military equipment with limited effect on the domestic economy. Owner-occupied apartment prices have declined 0.1% since June after increasing more than 30% over the previous 2 years. Given the increase in interest rates and a tax increase from 2027, there could be further declines, especially in Copenhagen, where increases have been higher. However, the broader housing market looks broadly balanced.

Apartment prices stagnating

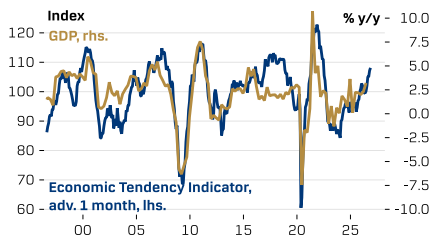


Source: Statistics Denmark, Macrobond

Sweden

Growth remains solid, while inflationary pressures are building. GDP growth remained on a strong path at 2.8% y/y in Q3, while the NIER survey climbed to 108.1 in October. The labour market continued to improve. However, consumer confidence fell, erasing the gains of the previous three months and returning close to its June level of 94.3. All in all, the risks to our current forecast for growth of 2.5% next year seem broadly balanced. As for inflation, firms' selling price expectations have risen and now point to price increases to a much greater extent than usual. Similarly, PPI inflation rose to 11.2% y/y in September and the increase was broad-based. The Riksbank is expected to raise rates to 2.0% in November and twice more next year. Government formation in Sweden is taking time, and no new government is in sight.

More optimistic companies

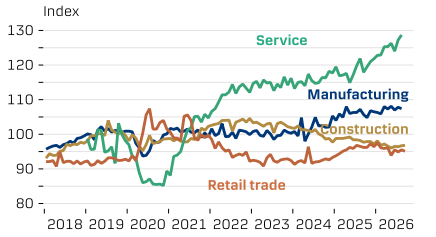


Source: Statistics Sweden, National Institute for Economic Research, Macrobond and Danske Bank

Norway

Economic data have been mixed recently. The service sector continues to grow at an impressive pace and the downturn in the construction sector appears to have stopped. At the same time, there is still a slight downward trend in both manufacturing and retail trade. Preliminary figures indicate that activity in the public sector has picked up again in Q3. Employment growth has thus stabilized, unemployment remains low and the number of vacant jobs remains higher than the historical average. At the same time, price and wage growth remains high, but may appear to be on the decline and wage growth in particular appear to be somewhat lower than previously assumed. Higher energy prices have strengthened the exchange rate, which will help to mitigate inflationary pressures going forward.

A divided economy

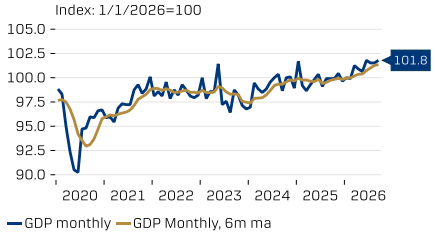


Source: Norges Bank, Macrobond

Finland

The Finnish economy continues to grow moderately with mixed data releases in October. The trend indicator of output (GDP monthly) grew 0.2% m/m in September. The indicator is now showing 1.8% GDP growth accumulated year-to-date. Labor market data was revised significantly in a negative direction in October wiping away a summer turnaround previously indicated. Unemployment rate is still hovering around the 10.5% mark, but we continue to expect that solid GDP growth will push it lower in the coming months. Confidence indicators are starting to show signs of elevated energy prices affecting business activity and consumer sentiment. Business confidence declined across sectors in October, but indicator levels remain mostly above long-term averages. Consumer confidence declined for the second month in a row and it is now well below the long-term average. House prices increased slightly in September and are now flat year-to-date.

Growth momentum continues



Source: Statistics Finland, Macrobond

Currency markets

The EUR has been under pressure the past month, where concerns around the outlook for France's public finances has set the tone for FX and fixed income markets. The EUR has weakened against most major currencies, and particularly the NOK. NOK has almost been a safe haven the past month and not only benefitted from the weak EUR sentiment, but also from rising energy prices and especially high natural gas prices. EUR/NOK has fallen to the lowest level in almost four years. The upwards pressure on EUR/DKK has also eased the past month. That has further halted the need for Danmarks Nationalbank to intervene in FX markets as it did over the summer, which should calm speculation in a potential unilateral rate hike in Denmark.

Bond Markets

Developments in France continue to be in focus with the 10Y French-German government yield spread continuing to widen, now trading close to the 170bp mark. The volatility is likely to persist until a budget deal is reached, which we expect to be closer to year-end. In the EUR swap market, short-end yields have traded sideways as ECB pricing remains sticky while long-end rates have declined over the past month. In the US, yields have tracked lower fuelled by AI worries. We continue to expect both short and long-end EUR rates to move lower in the next 12 months. In the US, we expect the rate curve to steepen modestly. In the Danish market, the price of 30Y callable bonds has increased, with the 4.00% coupon remaining the benchmark. We expect this will continue to be the case.

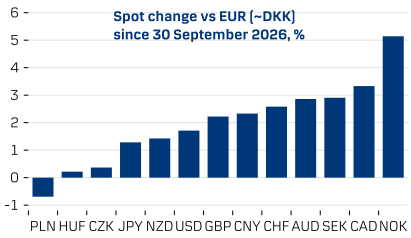
Credit markets

Credit market tensions continued during most of September but with recent improvement in sentiment, which has led to a sharp tightening in CDS indices whereas cash bonds have so far lagged CDS indices. Despite the improving market backdrop, credit spreads remain elevated, with HY almost 100bp above its end-August low and IG 20bp above. Nonetheless, the primary market has kept up its usual (seasonally low) pace, with corporates issuing somewhat more than typical and financials a bit less. Following a period of marked repricing of hyperscaler debt, which had caused the hyperscalers to step back from the primary market, Microsoft reopened the 'AI debt market', with a 10-tranche transaction totalling USD25bn, with order books peaking above USD115bn. It was priced around 20bp above Microsoft's existing bonds new issue premium for the longer-dated bonds. We are, however, still seeing secondary spreads for the major hyperscalers grinding slowly wider.

Equities

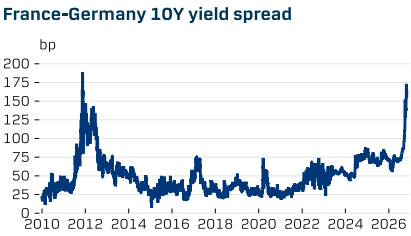
October saw an extraordinary rotation within equities. Defensive sectors rose by close to 10%, while parts of the AI complex fell by a similar magnitude. Unlike a conventional risk-off episode, this was not a broad market sell-off driven by deteriorating macro conditions. Pressure emerged among weaker, highly leveraged AI-related companies as credit spreads widened, before spreading to the broader technology and cyclical segments. Earnings have remained solid, particularly on revenues, although cyclical companies have delivered less upside than investors had come to expect, with defensives producing the strongest positive surprises. Combined with stretched positioning in technology and cyclicals, this created the conditions for an unusually sharp reversal. However, economic activity and earnings growth remain supportive, AI demand continues to be confirmed, positioning has become lighter, and relative valuations have improved. We therefore expect investors gradually to reallocate towards technology, AI and cyclical equities.

NOK on the rise



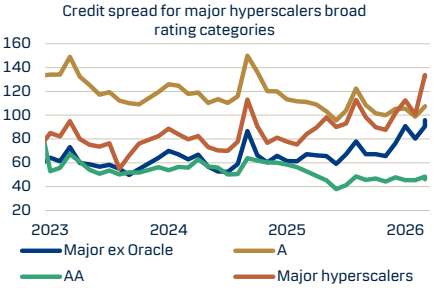
Past performance is not a reliable indicator of current or future results. Source: Macrobond

France underperforms



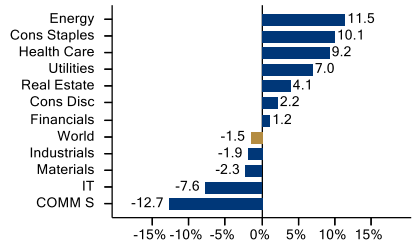
Past performance is not a reliable indicator of current or future results. Source: Danske Bank, Macrobond

Hyperscaler debt still widening



Past performance is not a reliable indicator of current or future results. Source: Bloomberg, Macrobond, Danske Bank

Wide spread in performance the last month



Past performance is not a reliable indicator of current or future results. Source: Macrobond

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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	3.5	2.2	2.1	-3.8	3.5	-1.2	1.9	3.8	2.9	2.8	27.2	12.5
	2026	4.0	1.9	1.0	-1.1	6.5	1.8	1.5	3.5	3.1	1.3	26.0	11.4
	2027	3.0	2.1	4.0	2.9	4.2	3.4	2.2	3.3	3.5	0.3	25.9	10.9
Sweden	2025	1.6	2.1	1.6	2.1	4.1	5.0	2.6	3.6	8.8	-	34.6	-
	2026	2.8	2.7	1.3	4.0	4.3	3.7	1.5	3.5	8.6	-	36.2	-
	2027	2.5	2.9	1.4	2.6	3.3	3.2	3.0	3.5	7.9	-	37.5	-
Norway	2025	1.7	2.6	2.4	0.8	2.7	2.6	3.0	4.7	2.1	-	-	-
	2026	1.0	1.0	2.3	1.5	1.5	1.4	3.0	4.4	2.3	-	-	-
	2027	1.7	3.0	1.8	1.5	2.0	1.8	2.3	3.7	2.4	-	-	-

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	1.3	1.4	1.5	2.9	2.0	3.5	2.1	3.9	6.3	-2.9	88.7	2.5
	2026	0.8	0.9	2.1	0.7	0.6	1.4	3.0	3.2	6.4	-3.5	90.6	1.7
	2027	1.4	1.1	1.3	1.0	1.5	1.0	2.5	2.9	6.4	-3.5	91.4	1.7
Finland	2025	0.8	-1.1	0.3	1.4	5.2	2.9	0.3	2.8	9.7	-3.9	88.4	-
	2026	1.8	1.7	0.1	2.1	7.2	6.5	2.0	3.6	10.5	-4.4	89.6	-
	2027	2.1	1.0	-0.5	5.9	3.1	2.6	2.1	3.3	9.9	-4.6	91.0	-

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	2.3	2.6	1.6	3.6	2.1	3.6	2.7	3.5	4.3	-5.8	99.9	-3.8
	2026	2.1	1.9	0.6	4.6	4.7	3.4	3.2	3.5	4.3	-6.0	101.8	-3.3
	2027	1.8	1.4	1.7	5.4	3.3	6.0	2.5	4.0	4.2	-5.9	102.9	-3.2
China	2025	5.1	4.6	-	1.0	-	-	0.0	-	5.1	-8.4	99.7	3.7
	2026	4.6	4.2	-	1.5	-	-	0.8	-	5.2	-8.7	107.4	3.5
	2027	4.7	4.7	-	4.0	-	-	1.0	-	5.2	-8.9	113.0	3.3

Note: Forecasts are from the latest Nordic Outlook, 3 September

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

Financial forecast

FX and interest rates

		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*	29-Oct	4.00	-	4.52	4.60	0.90	-	6.70	9.27	9.86
	+3m	4.25	-	4.50	4.70	0.90	-	6.73	9.55	10.09
	+6m	4.50	-	4.50	4.75	0.91	-	6.79	10.00	10.27
	+12m	4.50	-	4.50	4.80	0.91	-	6.79	10.27	10.36
EUR	29-Oct	2.50	2.64	3.36	3.43	-	1.12	7.4734	10.35	11.00
	+3m	2.75	2.90	3.30	3.45	-	1.11	7.4725	10.60	11.20
	+6m	2.75	2.90	3.20	3.35	-	1.10	7.4700	11.00	11.30
	+12m	2.75	2.90	2.90	3.25	-	1.10	7.4700	11.30	11.40
JPY	29-Oct	1.25	-	-	-	0.006	0.006	4.24	5.87	6.24
	+3m	1.50	-	-	-	0.006	0.006	4.32	6.12	6.47
	+6m	1.50	-	-	-	0.006	0.006	4.41	6.49	6.67
	+12m	1.75	-	-	-	0.006	0.007	4.47	6.76	6.82
GBP*	29-Oct	3.75	-	4.73	4.84	1.20	1.34	8.95	12.40	13.18
	+3m	4.00	-	4.50	4.70	1.15	1.28	8.59	12.18	12.87
	+6m	4.00	-	4.30	4.60	1.14	1.25	8.49	12.50	12.84
	+12m	4.00	-	4.20	4.50	1.14	1.25	8.49	12.84	12.95
CHF	29-Oct	0.00	-	-	-	1.08	1.21	8.10	11.21	11.92
	+3m	0.00	-	-	-	1.08	1.19	8.03	11.40	12.04
	+6m	0.00	-	-	-	1.09	1.20	8.12	11.96	12.28
	+12m	0.50	-	-	-	1.10	1.21	8.21	12.42	12.53
DKK	29-Oct	2.10	2.59	3.42	3.59	0.134	0.149	-	1.38	1.47
	+3m	2.35	2.78	3.40	3.60	0.134	0.149	-	1.42	1.50
	+6m	2.35	2.79	3.30	3.50	0.134	0.147	-	1.47	1.51
	+12m	2.35	2.79	3.00	3.40	0.134	0.147	-	1.51	1.53
SEK	29-Oct	1.75	2.15	2.97	3.31	0.091	0.101	0.68	0.94	-
	+3m	2.00	2.50	2.85	3.25	0.089	0.099	0.67	0.95	-
	+6m	2.50	2.71	2.75	3.20	0.088	0.097	0.66	0.97	-
	+12m	2.50	2.70	2.65	3.15	0.088	0.096	0.66	0.99	-
NOK	29-Oct	4.50	4.90	5.19	4.56	0.097	0.108	0.72	-	1.06
	+3m	4.50	4.75	5.10	4.70	0.094	0.105	0.70	-	1.06
	+6m	4.50	4.75	5.00	4.70	0.091	0.100	0.68	-	1.03
	+12m	4.50	4.70	4.90	4.70	0.088	0.097	0.66	-	1.01

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

Commodities

		2025				2026				2027	Average		
	29-Oct	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		2025	2026	2027
ICE Brent	116	75	67	68	65	75	99	90	100	90	69	91	90

Source: Danske Bank

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