14 September 2018

Weekly Focus Sweden

Wanted: more US hands

Market Movers ahead

- We look for more stabilisation in the **Euro Flash PMI** released on Friday.
- On the **trade war** front, we wait to see whether the US and China re-enter talks or whether Donald Trump implements of a 25% tariff on another USD200bn of imports from China.
- **Brexit** is set to be in focus as EU leaders meet for an informal Summit in Austria on Thursday-Friday.
- The **Fed** enters the blackout period ahead of the FOMC meeting on 26 September.
- In Scandinavia, focus turns to the **Norges Bank meeting**, where we look for the first hike for more than seven years. Minutes from the recent Riksbank meeting will also be scrutinised.

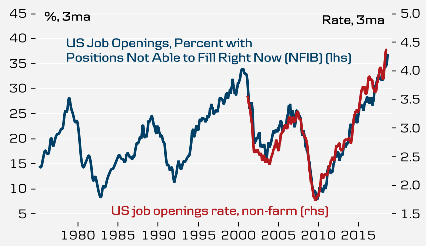
Global macro and market themes

- The tight US labour market is a rising risk to growth.
- The US-China trade war is set to escalate further before a deal is reached.
- Emerging market assets are cheaper but there are still short-term risks.

Focus

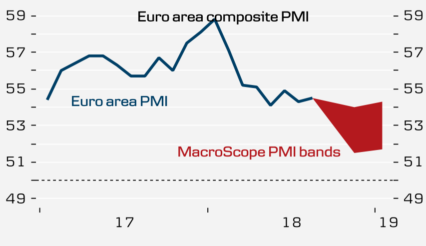
- *Italian Politics Monitor: A postcard from Rome: the die is cast!*, 12 September.
- *China Postcard – Trade war to drag out, but still lots of potential*, 12 September.

US labour market getting very tight



Source: Macrobond Financial, BLS

Euro PMI coming up – more stabilisation in store



Source: Macrobond Financial, Markit, Danske Bank

Contents

Financial views

Major indices	14-Sep	3M	12M
10yr EUR swap	0.93	0.90	1.25
EUR/USD	117	113	125
ICE Brent oil	78	72	74

Source: Danske Bank

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Market movers

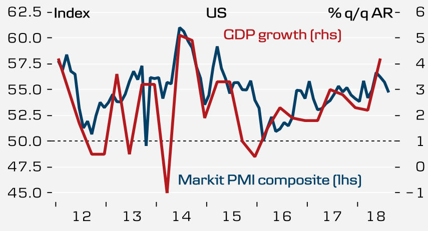
Global

- In the **US**, we have a quiet week in terms of economic data releases. On Friday, the Markit PMIs are due for release, which will give us more information about the current growth momentum. Furthermore, the Fed is entering its blackout period from 15-27 September, so we do not expect any signals from it during the coming week.
- In the **euro area,** the final HICP figures from August are due on Monday. We expect no revision from the preliminary release, which saw headline inflation falling back to 2.05% and core inflation disappointing on the downside at 0.96%, driven by lower service and goods price inflation. We will particularly look out for the drivers for the drop in core inflation and whether they are of a permanent or temporary nature. We still expect a gradual pickup in underlying inflation pressures throughout 2018 and 2019.

  On Friday, the euro area flash PMIs for September are due. After starting the year on a declining trend, we expect PMIs to stabilise around their current levels. We predict manufacturing PMI will rise slightly to 54.7 from 54.6 and services PMI to increase to 54.6 from 54.4, as trade war fears continue to retreat as a headwind to business sentiment and the forward-looking new orders component also rebounded in the last survey.
- In the **UK**, focus is on Brexit, not least with the informal EU summit in Austria on Wednesday-Thursday, where the EU leaders are expected to discuss Brexit and probably soften Michel Barnier's negotiation guidelines in order to make it easier to reach a withdrawal agreement in Q4. The UK Conservative Party remains divided on Brexit, as the hardliners still think PM Theresa May's Chequers plan is too soft.

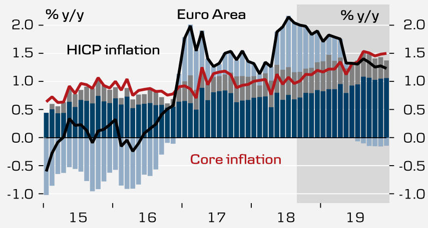
  The most important release is the CPI inflation August data on Wednesday. After it surprised on the upside in July, we believe headline inflation fell to 2.3% y/y from 2.5% y/y in July, in particular because the impact of the GBP depreciation is fading. CPI core inflation is likely to have fallen to 1.8% from 1.9%.
- There are no market movers in **China**.
- In **Japan**, politics will be in focus next week, with the Bank of Japan (BoJ) meeting (18-19 September) coming up and the ruling Liberal Democratic Party (LDP) holding a leadership vote (20 September). Opinion polls show that a large majority of LDP supporters plan to vote for PM Shinzo Abe and that he has a big lead ahead of the other candidate, Defense Minister Shigeru Ishiba. Hence, it is widely expected that PM Abe will win the LDP leadership vote, which would be a status quo scenario. However, once confirmed, it will (at least on the margin) reduce uncertainty about the government's economic policy stance, and we could see a temporary positive market reaction after the outcome of the election if Abe wins. We expect the BoJ to keep its policy unchanged and for Governor Haruhiko Kuroda to reiterate a relatively dovish stance, signalling that the BoJ intends to keep interest rates at current levels for a longer period of time. We expect the BoJ to keep its current policy intact until the end of 2019 at least. In terms of data, key releases next week will be the August CPI prints and the first estimate of manufacturing PMI for September (both due on 21 September).

US Markit PMI composite fell in August but still a fairly high level



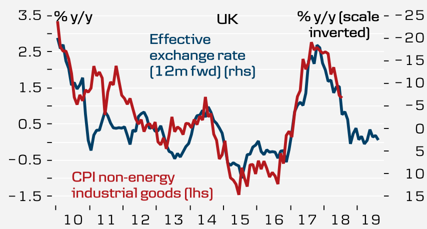
Source: IHS Markit, BEA, Macrobond Financial

Euro area core inflation expected to pick up gradually



Source: Eurostat, Macrobond Financial, Danske Bank

In the UK, the impact of GBP depreciation is fading



Source: ONS, Bank of England, Macrobond Financial

Scandi

- In **Denmark,** we are looking forward to three data releases in the coming week. Thursday will see the release of consumer confidence and we expect the Danes to have a more positive view on both the future and the current state of the economy following a weak August readout. We expect consumer confidence to rise to 8.6.

  Friday will see the July figures for wage earner employment. Employment has risen for 61 consecutive months and has reached historical highs. We therefore estimate that employment also rose over the summer, though we should mention that the July figures have previously recorded an initial fall in employment that was later revised up. This is due to the greater uncertainty around the figures for the summer months.

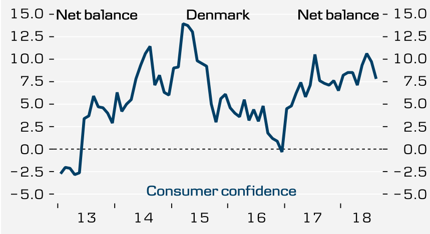
  Statistics Denmark will also publish house price data for Q2 18. As we have already received the monthly figures for house prices, the quarterly figures are unlikely to surprise much.

- On Monday, the **Swedish** Riksbank will release the Minutes from the 6 September meeting. Given that at the press conference, Stefan Ingves expressed a seeming determination to raise the repo rate in December or February, these will be thoroughly scrutinised as to how the four non-dissenters have argued and to what extent the intention to hike is on a firm footing.

  There is also the August LFS. So far, Swedish labour market developments have been very impressive: the unemployment rate is falling close to 6%, employment growth has been close to 2% y/y recently and the activity and employment rates both reached decade highs at 73.3% and 68.6%, respectively. Now, the labour market is a lagging indicator. If this performance starts to deteriorate in the wake of slowing economic growth, the weakness we expect in residential construction and housing could become more pronounced.

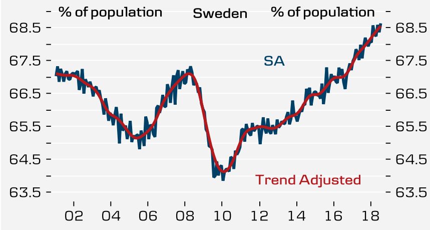
- In **Norway**, the stage is set for the first interest rate hike for more than seven years. The economy has left the oil crisis well behind, capacity utilisation will soon be back to normal, unemployment is falling and wages and prices are accelerating, so it is high time to begin the process of normalising interest rates. Just as noteworthy as the actual decision will therefore be the signals Norges Bank puts out about where its policy rate is headed. Some information will come from the interest rate projections in the monetary policy report published together with the decision. The path presented in the previous report in June suggested that the bank anticipated a rate hike in September and almost two further hikes per year in 2019-21. Since then, economic developments have almost exclusively pointed to a higher interest rate path. Although global interest rate expectations are now marginally lower than they were in June, pulling the path down slightly, inflation has been stronger, oil prices higher, money market premiums lower and the krone weaker than expected –all of which, especially the krone, supports an upward revision of the interest rate path. While growth in the Norwegian economy has been largely as expected, the oil investment survey also suggests that growth in oil investment next year will be higher than previously assumed. Taken together, this would indicate a substantially higher interest rate path on Thursday. Over the past year, however, Norges Bank has also been applying an additional factor it refers to as ‘judgement’, which can also affect the rate path. One reason for introducing this discretionary factor is to avoid unnecessarily abrupt interest rate changes, which is exactly what is needed at this point. We therefore expect the bank’s overall assessment to result in the probability of a further rate hike as early as December increasing to more than 50%, with a further 2.5 hikes signalled for 2019, two for 2020 and 1.5 for 2021. As there is still considerable uncertainty about the economic outlook for next year, the rhetoric concerning the chances of another hike now in December will be the most exciting part.

Consumer confidence



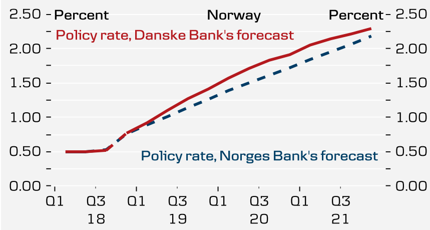
Source: Statistics Denmark

Employment rate – is the sky really the limit?



Source: SCB

We expect Norges Bank’s rate path to signal 7.5 hikes



Source: Macrobond Financial, Danske Bank

Market movers ahead

Global movers				Event		Period	Danske	Consensus	Previous
Mon	17-Sep	11:00	EUR	HICP inflation, final	m/m|y/y	Aug		*0.2%|2.0%*	-0.3%|2.1%
Wed	19-Sep	-	EUR	Informal EU summit (including Brexit talks)					
		-	JPY	BoJ policy rate	%		**-0.10%**		-0.10%
		10:30	GBP	CPI core	y/y	Aug	**1.8%**	*1.8%*	1.9%
Thurs	20-Sep	-	EUR	Informal EU summit (including Brexit talks)					
Fri	21-Sep	1:30	JPY	CPI - national	y/y	Aug		*1.1%*	0.9%
		2:30	JPY	Nikkei Manufacturing PMI, preliminary	Index	Sep		*52.5*	52.5
		10:00	EUR	PMI composite, preliminary	Index	Sep		*54.4*	54.5
		15:45	USD	Markit PMI manufacturing, preliminary	Index	Sep		*55.0*	54.7
Scandi movers									
Mon	17-Sep	9:30	SEK	Riksbank Minutes					
Tue	18-Sep	9:30	SEK	Unemployment (n.s.a.|s.a.)	%	Aug	**5.6%|6.2%**	*5.8%|...*	6.0%|6.4%
Thurs	20-Sep	10:00	NOK	Norges Banks monetary policy meeting	%		**0.75%**		0.5%

Source: Bloomberg, Danske Bank

Strategy

Is the US economy running out of labour?

Tight labour market a rising challenge to US growth

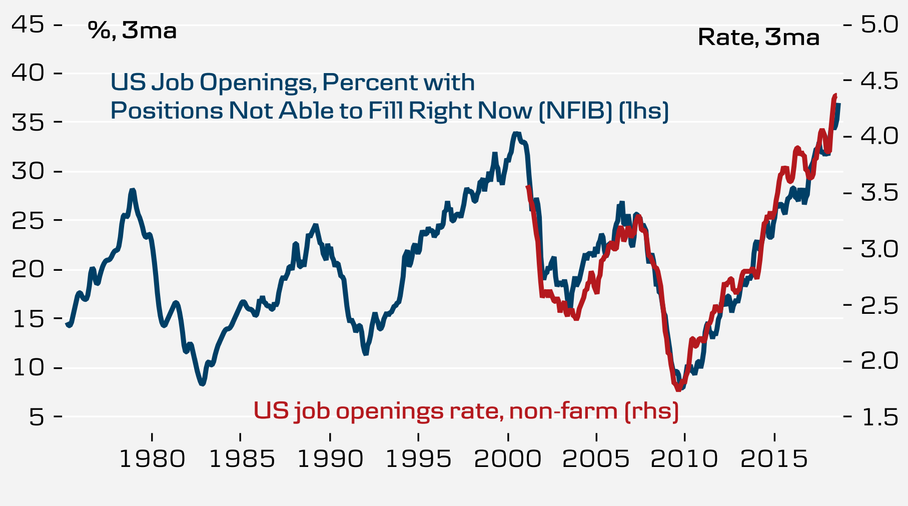
The main news in the US labour market report last week was a 2.9% jump in wage growth. It was the highest level in close to 10 years and suggests a tight labour market is starting to feed into higher wage growth and thus inflation pressure – something that has been missing so far. However, Thursday's inflation data painted a different picture. US core inflation surprised on the downside, rising only 2.2% y/y in August, down from 2.4% y/y in July. Hence, the jury is still out on whether we are finally getting higher inflation in the US.

However, indicators of tightness in the labour market suggest that US companies are finding it increasingly difficult to find skilled labour (see chart below) – something that typically translates into higher wage growth and inflation eventually.

Even if inflation fails to pick up, it could still prove an obstacle for growth. For companies to keep increasing production, they need more hands. If they face bottlenecks, it could put a brake on growth. Similarly, it would be likely to pave the way for continued higher policy rates by the Fed to stem demand growth and lean against the wind to avoid overheating.

A way to keep strong growth even with bottlenecks in the labour market is by squeezing more out of each worker – in other words, by increasing productivity growth. However, so far there is no sign of rising productivity growth, which is still hovering around 1% y/y, much lower than the 3% level prior to the financial crisis. While US President Donald Trump is stating his policy is already working by boosting growth, there is no evidence that it is raising the potential growth rate of the US economy.

Labour market at its tightest level in more than 40 years

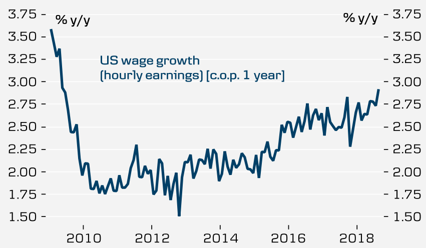


Source: Macrobond Financial, BEA

Key points

- Tight US labour market a rising risk to growth.
- US-China trade war set to escalate further before deal is reached.
- Emerging market assets cheaper but still short-term risks.

US workers getting higher pay cheques



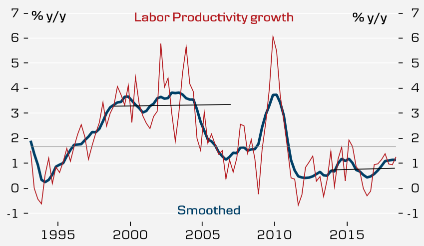
Source: Macrobond Financial, BEA

Rather, the tax cuts are boosting demand and thus pushing up production faster. However, unless productivity growth increases, the higher demand growth will just use up the available resources earlier than otherwise. It will also push up investment orders to increase production capacity but without available labour, it is hard to produce more investment goods as well. For now, we continue to look for 2.7% growth this year and 2.5% in 2019. However, we need to see higher productivity growth soon for this to be within reach.

The tighter labour market underpins our expectation of another two rate hikes this year, followed by another three hikes next year. We look for the Fed to be on autopilot until March, when we expect rates to hit the neutral rate of 2.75-3.00%. After this, it is likely to be more cautious.

In the euro area, wage pressures have also picked up lately. Wage growth currently stands at 2.3%, after hitting a bottom two years ago at 1.0%. At the ECB meeting this week, the ECB seemed increasingly confident that wage growth would move higher and push up inflation as well over the medium term.

US productivity growth still weak

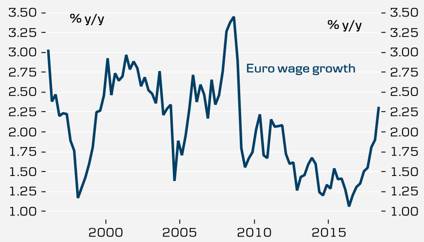


Source: Macrobond Financial, BEA

US-China trade war: further escalation coming

In the US-China trade war, we are still waiting for Trump to reveal when he will go through with a 25% tariff on another USD200bn of Chinese imports. Developments this week suggest it is only a matter of time. Trump was quick to quash a small hope that the US and China would meet for high-level trade talks. While China confirmed it had received an invitation for trade talks from Treasury Secretary Steven Mnuchin, Trump tweeted shortly after that the US was under no pressure to meet with China and that ‘our markets are surging, theirs are collapsing’. With this signal, it is very unlikely that China will enter into new high-level talks. Having already been burnt once in May when Trump left negotiations, China is unlikely to go into new talks without a clear signal from Trump that he is serious about reaching a deal. China strongly opposes US bullying and what it calls Trump’s ‘winner-takes-all’ approach to deal making. In China, deals have to have a ‘win-win’ outcome. No Chinese leader can afford to look like it is giving in to US bullying. Hence, we continue to expect the tariffs on USD200bn worth of Chinese goods to come into effect within the next month and we expect China to retaliate.

Euro wage growth also picking up



Source: Macrobond Financial, Danske Bank

Emerging markets: looking cheaper but still short-term risks

Emerging market assets have been through a rough time lately, taking a hit from a slowdown in China, higher US policy rates and crises in several emerging market economies such as Turkey, Argentina and, to some extent, South Africa. While many emerging market assets are getting cheaper, we still see short-term risks from a further escalation in the US-China trade war and further US Fed hikes. However, from a long-term point of view, many emerging market assets look increasingly attractive.

Trump tries to use leverage from stronger markets – but China set to wait it out, knowing cost to US will come later

Source: Macrobond Financial, Danske Bank

Financial views

Asset class	Main factors
Equities	
Positive on 3-12 month horizon.	Fundamentals still support equities on a 3-12M horizon. However, despite strong earnings, higher risk premium is expected in the short run, among other things due to trade tensions
Bond market	
German/Scandi yields – stable for now, higher in 12M	Strong forward guidance from the ECB. Core inflation remains muted. Range trading for Bunds for the rest of 2018. Still higher in 2018.
EUR 2Y10Y steeper, USD 2Y10Y flatter	The ECB keeps a tight leash on the short end of the curve but 10Y higher as US has an impact. EUR 2Y10Y mainly steeper in 2019.
US-euro spread – short-end to widen further	The spread in the short-end is set to widen further as the Fed continues to hike.
Peripheral spreads – tightening (Italy special case)	ECB forward guidance, better fundamentals, an improved political picture (ex. Italy) and rating upgrades to lead to renewed tightening after recent widening. Italy remains a special case.
FX & commodities	
EUR/USD – lower for longer... but not forever	In a range around 1.15 in 0-3M as USD carry and political risks weigh but supported longer term by valuation and ECB 'normalisation'.
EUR/GBP – gradually lower over the medium term	Brexit uncertainty dominates now but GBP should strengthen on 6-12M on Brexit clarification and Bank of England rate hikes.
USD/JPY – higher eventually	US yields decisive near term with political uncertainty as a significant downside risk. Longer term higher on Fed-Bank of Japan divergence.
EUR/SEK – volatile near term and sticky above 10 for long	Volatile near term and SEK-negatives remain due to election uncertainty. Lower on 3M as Riksbank rate hike looms.
EUR/NOK – set to move lower but near-term headwinds	Positive on NOK on valuation, relative growth, positioning, terms of trade, global outlook and Norges Bank initiating a hiking cycle.
Oil price – downside risk rest of year	OPEC increasing output and escalation of trade war has increased near-term downside risks.

Source: Danske Bank

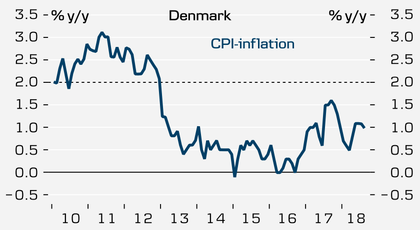
Scandi update

Denmark – inflation remains low

In the past week, new figures arrived for Danish inflation, which was 1.0% higher in August than in the same month in 2017, slightly below July's inflation rate of 1.1% and somewhat lower than the 1.2% we had expected. Food, books and package holidays were the main forces pulling inflation lower in August, while electricity prices tended to push inflation higher.

August's goods exports fell by 1.5% according to just released figures, although this follows on the heels of a 4.9% increase in June, so exports seem to be back on track overall after struggling a little. We also believe exports can contribute more to growth over the rest of 2018, as most of the global economy is still expanding, including Denmark's key export markets.

Inflation fell in August



Source: Statistics Denmark

Sweden – GDP suddenly less upbeat

The flash estimate for second-quarter GDP released on 30 July was an upside surprise to us. We had projected a year-on-year growth rate of 2.7% but the first print showed no less than a 3.3% growth (with a quarter-on-quarter-figure of 1.0%). One reason was that a new tax system for cars introduced on 1 July resulted in a big boost for cars in June. Then again, the first estimate for Q2 is always released a couple of months earlier than those for the other three quarters and is therefore very shaky.

Very bad growth mix

	flash estimate	second estimate
GDP q/q	1.0	0.8
contribution from:		
household consumption	0.4	0.4
inventories	0.3	0.6
fixed investments	0.0	-0.1
net exports	0.2	-0.1

Source: Statistics Sweden

The less shaky second estimate was revised to 2.5% y/y, so not too far from our initial estimate. The quarter-on-quarter figure was lowered only to 0.8% though. Quarterly changes are based on seasonal adjusted data, while the yearly changes are based on working-day adjusted figures and this is why the size of the revisions do not match. In any case (looking at quarter-on-quarter rates), the revised numbers show a pretty different and less upbeat picture.

For instance, it is notable that while the first estimate showed that inventory build-up accounted for three-tenths of 1% growth, the revised figures say six-tenths of 0.8%. This is not encouraging. Moreover, both fixed investments and net exports now show small negative contributions as opposed to neutral to small positive figures according to the flash estimate.

In addition, there are revisions of older data. GDP for 2016 has been revised down by 0.5pp to 2.7%, with the 2017 figure down by 0.2pp to 2.1%.

So, as things look now, second-quarter GDP basically relied on a one-off boost in car sales, which, according to sales data for July and August, will correct in Q3, and on an unusually big contribution from inventories, which could also kick back in Q3. One wonders if there is a risk of a negative quarter-on-quarter figure for Q3. If so, this would be the first one since 2013.

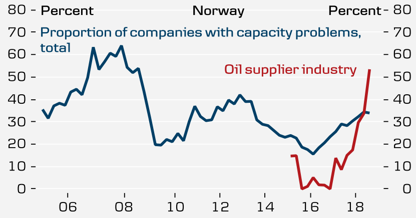
We doubt near-term weaker growth will have any impact on the Riksbank, which seems determined to hikes rates soon. However, longer term (next year), slowing growth and slowing inflation could keep it from continuing on this path and the next government, whichever that is, will have a weaker macroeconomic backdrop to cope with.

Norway – growth holding up

Norges Bank's regional network survey confirmed that growth in the Norwegian economy is still well above trend. The aggregated output index edged down from 1.47 to 1.40 but still points to quarterly growth in mainland GDP of 0.73% over the next two quarters, which is marginally better than the central bank's projection of 0.70% in the June monetary policy report. Along with the GDP numbers for Q2, the survey shows that growth has been largely as expected and looks like being marginally higher than expected ahead. The figures further cement expectations of a **rate increase** this coming Thursday and, if anything, they indicate that domestic growth will push Norges Bank's interest **rate path slightly up**. However, the underlying data are a shade weaker than the headline figures – in particular, we note that expected investment growth is somewhat lower than in the previous survey and capacity utilisation fell slightly from 34.36% in May to 33.88% in August. This is still one of the highest levels we have seen since 2013 but could indicate that growth capacity has increased (reduced pressures). On the other hand, the share of firms reporting labour shortages as a constraint to production increased from 16.59% to 18.06%, the highest since August 2013, which confirms that the labour market is getting tighter.

Looking at individual sectors, the growth outlook has improved for mainland manufacturing, business services and retail and deteriorated for construction and household services. Rather surprisingly, the outlook is also slightly weaker for oil-related industries. Perhaps the most interesting thing about the entire survey, however, is that 53% of firms in oil-related industries are now reporting capacity problems, which confirms our view that a major turnaround there is on its way. All in all, it was a solid survey, which confirms that growth is set to remain above trend and make it necessary for Norges Bank to signal further normalisation of monetary policy ahead, even though our upside scenario was not confirmed this time around.

Capacity problems in the supply sector



Source: Macrobond Financial, Danske Bank

Latest research from Danske Bank

13/9 ECB Review - For the feinschmeckers 6 part II

ECB didn't deliver new policy signals during today's meeting, which on the face of it was rather uneventful. As usual, the devil is in the detail and today's meeting highlighted risks 'gaining more prominence' and the confidence in its inflation outlook prevailed.

13/9 Bank of England Review - Repeats hiking bias amid Brexit uncertainties

As expected, the Bank of England (BoE) voted unanimously to keep the Bank Rate at 0.75%. As it was one of the small meetings without an updated Inflation Report or press conference and following last month's hike, this did not come as a surprise.

12/9 Italian Politics Monitor: A postcard from Rome: the die is cast!

Despite the conflicting views of the coalition parties, Italian voters are unlikely to head to the polls again soon.

12/9 China Postcard - Trade war to drag out, but still lots of potential

I have just returned from a trip to China on a fact-finding mission to gain a better understanding of the worlds second-largest economy. I travelled with Mathias Boyer from our representative office in Beijing. He grew up in China and understands the Chinese mindset better than most people I know. Below are the key takeaways from our round trip.

11/9 Norway Regional Network Survey - Strong growth outlook confirmed, Norges Bank to hike rates next week

Norges Bank (NB) just published the September Regional Network Survey, which is its preferred gauge of economic activity.

9/9 Swedish election - Weak government is coming

Alliance and Red-Green blocks equal in size - SD has strong veto power. New government will be a historically weak one - first challenge to pass budget.

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[3]	Public budget[4]	Public debt[4]	Current acc.[4]
Denmark	2017	2.3	1.6	0.6	4.5	4.4	4.3	1.1	1.7	4.2	1.0	36.4	7.8
	2018	1.8	2.3	1.1	5.0	0.5	3.6	0.9	1.9	4.0	-0.2	35.1	6.5
	2019	1.8	2.4	0.5	1.5	2.7	2.4	1.5	2.3	3.8	-0.2	34.4	7.2
Sweden	2017	2.5	2.2	0.4	5.9	3.6	4.8	1.8	2.5	6.7	1.2	41.0	4.2
	2018	2.0	2.0	0.6	3.0	3.8	4.2	1.7	2.6	7.1	1.0	37.0	2.8
	2019	1.9	1.8	0.8	0.4	4.7	3.8	1.4	2.7	7.6	0.8	35.0	3.2
Norway	2017	1.8	2.3	2.0	3.5	0.8	2.2	1.8	2.3	2.7	-	-	-
	2018	2.5	2.3	1.9	2.0	2.0	2.5	2.4	3.0	2.4	-	-	-
	2019	2.3	2.5	1.9	3.5	2.4	2.3	1.6	3.5	2.2	-	-	-

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[3]	Public budget[4]	Public debt[4]	Current acc.[4]
Euro area	2017	2.5	1.7	**1.2**	**2.8**	5.5	4.1	1.5	1.6	9.1	-0.9	86.7	3.5
	2018	2.0	1.5	**1.1**	**3.0**	2.9	2.8	1.7	2.2	8.3	-0.7	86.0	3.4
	2019	1.7	1.9	**2.1**	**1.9**	3.1	3.8	1.5	2.3	8.0	-0.6	85.5	3.4
Germany	2017	2.5	2.0	1.6	3.6	5.3	5.3	1.7	2.6	3.8	1.3	64.1	7.9
	2018	2.0	1.5	1.1	3.5	3.1	3.9	1.7	3.0	3.4	1.2	60.2	7.9
	2019	1.9	2.2	2.3	3.1	3.7	5.4	1.6	3.2	3.3	1.0	56.3	7.6
Finland	2017	2.7	1.7	1.6	5.8	7.5	3.7	0.7	0.2	8.6	-0.6	61.3	0.7
	2018	2.7	2.1	0.9	4.0	4.2	4.2	1.0	2.0	8.0	-0.3	59.1	0.5
	2019	2.0	1.6	0.5	3.5	4.5	4.0	1.4	2.3	7.7	-0.1	57.6	0.7

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[3]	Public budget[4]	Public debt[4]	Current acc.[4]
USA	2017	2.2	2.5	-0.1	4.8	3.0	4.6	2.1	2.5	4.4	-3.5	105.0	-2.5
	2018	2.7	2.5	1.3	5.5	5.1	4.0	2.5	2.6	3.9	-4.0	106.0	-3.0
	2019	2.5	2.4	1.2	4.1	3.4	2.9	2.0	2.8	3.6	-4.6	107.0	-3.4
China	2017	6.9	-	-	-	-	-	2.0	9.0	4.1	-3.7	47.6	1.4
	2018	6.6	-	-	-	-	-	2.3	8.7	4.3	-3.4	50.8	1.1
	2019	6.4	-	-	-	-	-	2.3	8.5	4.3	-3.4	53.9	1.2
UK	2017	1.7	1.9	-0.1	3.4	5.4	3.2	2.7	2.2	4.4	-1.8	87.5	-4.1
	2018	1.1	1.1	1.1	2.9	1.3	1.2	2.5	2.5	4.2	-1.8	85.4	-4.4
	2019	1.2	1.2	0.4	1.3	2.6	2.0	1.5	2.9	4.1	-1.7	85.3	-4.0

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 vsSEK
USD	14-Sep	2.00	2.33	2.94	3.04	117.0	-	895.3
	+3m	2.25	2.72	3.10	3.05	113.0	-	902.7
	+6m	2.50	2.94	3.20	3.20	118.0	-	864.4
	+12m	3.00	3.24	3.30	3.30	125.0	-	824.0
EUR	14-Sep	0.00	-0.32	-0.15	0.93	-	117.0	1047.6
	+3m	0.00	-0.33	-0.15	0.90	-	113.0	1020.0
	+6m	0.00	-0.33	0.00	1.05	-	118.0	1020.0
	+12m	0.00	-0.33	0.15	1.25	-	125.0	1030.0
JPY	14-Sep	-0.10	-0.04	0.05	0.33	131.0	111.9	8.00
	+3m	-0.10	-	-	-	126.6	112.0	8.06
	+6m	-0.10	-	-	-	134.5	114.0	7.58
	+12m	-0.10	-	-	-	142.5	114.0	7.23
GBP	14-Sep	0.75	0.80	1.13	1.59	89.2	131.2	1174.4
	+3m	0.75	0.82	1.25	1.60	89.0	127.0	1146.1
	+6m	0.75	0.84	1.35	1.75	84.0	140.5	1214.3
	+12m	1.00	1.07	1.50	1.95	83.0	150.6	1241.0
CHF	14-Sep	-0.75	-0.73	-0.53	0.45	112.9	96.5	927.6
	+3m	-0.75	-	-	-	113.0	100.0	902.7
	+6m	-0.75	-	-	-	116.0	98.3	879.3
	+12m	-0.75	-	-	-	120.0	96.0	858.3
DKK	14-Sep	0.05	-0.31	-0.03	1.06	745.9	637.5	140.4
	+3m	0.05	-0.30	-0.05	1.05	745.3	659.5	136.9
	+6m	0.05	-0.30	0.10	1.20	745.5	631.6	136.9
	+12m	0.05	-0.30	0.25	1.40	745.5	595.8	138.3
SEK	14-Sep	-0.50	-0.39	-0.06	1.19	1047.6	895.3	100.0
	+3m	-0.25	-0.20	-0.20	1.05	1020.0	902.7	-
	+6m	-0.25	-0.20	-0.05	1.25	1020.0	864.4	-
	+12m	-0.25	-0.20	0.15	1.30	1030.0	824.0	-
NOK	14-Sep	0.50	1.07	1.53	2.27	961.5	821.7	109.0
	+3m	0.75	1.15	1.55	2.40	920.0	814.2	110.9
	+6m	0.75	1.30	1.85	2.55	920.0	779.7	110.9
	+12m	1.00	1.40	2.00	2.65	910.0	728.0	113.2

Commodities

		2018				2019				Average	
	14-Sep	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2018	2019
NYMEX WTI	69	63	68	68	68	69	69	70	70	67	70
ICE Brent	78	67	75	72	72	72	72	74	74	72	73

Source: Danske Bank

Calendar

Key Data and Events in Week 38

During the week				Period	Danske Bank	Consensus	Previous
Monday, September 17, 2018				Period	Danske Bank	Consensus	Previous
-	JPY	Respect-For-The-Aged Day					
8:00	NOK	Trade balance	NOK bn	Aug			25.3
9:30	SEK	Riksbank Minutes					
11:00	EUR	HICP inflation, final	m/m|y/y	Aug		*0.2%|2.0%*	-0.3%|2.1%
11:00	EUR	HICP - core inflation, final	y/y	Aug		*1.0%*	1.0%
14:30	USD	Empire Manufacturing PMI	Index	Sep		*23.0*	25.6
Tuesday, September 18, 2018				Period	Danske Bank	Consensus	Previous
3:30	AUD	RBA September Meeting Minutes					
9:30	SEK	Unemployment (n.s.a.|s.a.)	%	Aug	5.6%|6.2%	*5.8%|...*	6.0%|6.4%
14:00	HUF	Central Bank of Hungary rate decision	%		0.90%	*0.90%*	0.90%
16:00	USD	NAHB Housing Market Index	Index	Sep		*66.0*	67.0
22:00	USD	TICS international capital flow, Net inflow	USD bn	Jul			114.5
Wednesday, September 19, 2018				Period	Danske Bank	Consensus	Previous
-	GBP	Informal EU summit (including Brexit talks)					
-	JPY	BoJ policy rate	%		-0.10%		-0.10%
1:50	JPY	Exports	y/y (%)	Aug		*0.1*	0.0
1:50	JPY	Import	y/y (%)	Aug		*0.1*	0.1
1:50	JPY	Trade balance, s.a.	JPY bn	Aug		*-144.1*	-45.6
10:00	EUR	Current account	EUR bn	Jul			23.5
10:30	GBP	CPI	m/m|y/y	Aug	0.4%|2.3%	*0.5%|2.4%*	0.0%|2.5%
10:30	GBP	CPI core	y/y	Aug	1.8%	*1.8%*	1.9%
10:30	GBP	PPI - input	m/m|y/y	Aug		*0.4%|9.1%*	0.5%|10.9%
14:30	USD	Building permits	1000 (m/m)	Aug		*1300*	1303.0 (0.9%)
14:30	USD	Housing starts	1000 (m/m)	Aug		*1225*	1168.0 (0.9%)
14:30	USD	Current account	USD bn	2nd quarter		*-103.3*	-124.1
15:00	EUR	ECB's Draghi speaks in Berlin					
16:30	USD	DOE U.S. crude oil inventories	K				-5296
Thursday, September 20, 2018				Period	Danske Bank	Consensus	Previous
-	GBP	Informal EU summit (including Brexit talks)					
0:45	NZD	GDP	q/q|y/y	2nd quarter		*0.8%|2.5%*	0.5%|2.7%
8:00	DKK	Consumer confidence	Net. bal.	Sep	8.6		7.8
9:30	CHF	SNB 3-month Libor target rate	%			*-0.75%*	-0.75%
10:00	NOK	Norges Banks monetary policy meeting	%		0.75%		0.5%
10:30	GBP	Retail sales ex fuels	m/m|y/y	Aug		*-0.4%|2.2%*	0.9%|3.7%
14:30	USD	Initial jobless claims	1000				
14:30	USD	Philly Fed index	Index	Sep		*15.0*	11.9
16:00	EUR	Consumer confidence, preliminary	Net bal.	Sep		*-1.9*	-1.9
16:00	USD	Existing home sales	m (m/m)	Aug		*5.38*	5.34|-0.007

Source: Danske Bank

Calendar (continued)

Friday, September 21, 2018				Period	Danske Bank	Consensus	Previous
-	EUR	S&P may publish Spain's debt rating					
-	EUR	S&P may publish Belgium's debt rating					
-	EUR	Moody's may publish Greece's debt rating					
1:30	JPY	CPI - national	y/y	Aug		*1.1%*	0.9%
1:30	JPY	CPI - national ex. fresh food	y/y	Aug		*0.9%*	0.8%
2:30	JPY	Nikkei Manufacturing PMI, preliminary	Index	Sep		*52.5*	52.5
8:00	DKK	Employment, s.a.		Jul			
8:00	DKK	House and apartment prices	m/m|y/y	2nd quarter			
8:45	FRF	GDP, final	q/q|y/y	2nd quarter		*0.2%|1.7%*	0.2%|1.7%
9:15	FRF	PMI manufacturing, preliminary	Index	Sep		*53.5*	53.5
9:15	FRF	PMI services, preliminary	Index	Sep		*55.2*	55.4
9:30	DEM	PMI manufacturing, preliminary	Index	Sep		*55.7*	55.9
9:30	DEM	PMI services, preliminary	Index	Sep		*55.0*	55.0
10:00	EUR	PMI manufacturing, preliminary	Index	Sep		*54.5*	54.6
10:00	EUR	PMI composite, preliminary	Index	Sep		*54.4*	54.5
10:00	EUR	PMI services, preliminary	Index	Sep		*54.4*	54.4
14:30	CAD	CPI	m/m|y/y	Aug			...|3.0%
14:30	CAD	Retail sales	m/m	Jul			-0.2%
15:45	USD	Markit PMI manufacturing, preliminary	Index	Sep		*55.0*	54.7
15:45	USD	Markit PMI service, preliminary	Index	Sep		*54.8*	54.8

Source: Danske Bank

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Report completed: 14 September 2018, 15:00 CEST

Report first disseminated: 14 September 2018, 15:15 CEST