15 December 2017

Weekly Focus Sweden

The season of central bank meetings continues

Market Movers ahead

- An important meeting is coming up in the Swedish Riksbank, as it has to decide on whether to end QE and it is a close call as to what it will chose.
- Higher wage growth is key if the ECB is to realise its inflation target; therefore, euro area wage data for Q3 due out on Tuesday should be watched closely.
- The most important inflation measure in the US is likely to show slightly higher inflation.
- The Bank of Japan is expected to announce unchanged policy but might comment on recent tightening speculation.

Global macro and market themes

- Recent economic data releases support our view that the global expansion continues, not least in the euro area, where PMIs have been very strong in Q4.
- It is too early for markets to price out Brexit risk just yet, but it is positive that negotiations are moving forward.
- Central bank meetings support our view that global monetary policy tightening will be gradual.
- The environment is positive for risk assets such as equities; we believe EUR/USD will move higher and that yields will stay low.
- Norges Bank will hike rates late next year.

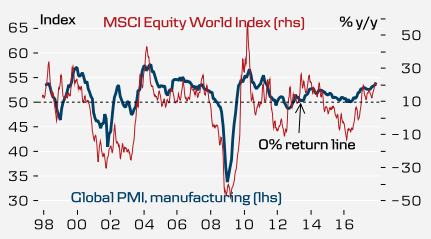
Focus

ECB review - Christmas mood leaves QE exit decisions for 2018

Norges Bank Review: Rate hike at end-2018, steeper FRA curve, stronger NOK

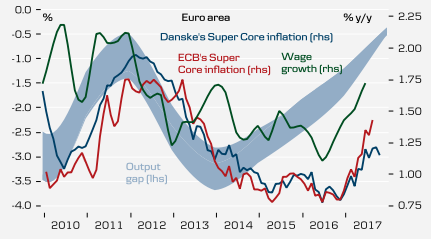
FOMC review: Broadly unchanged Fed signal

Strong economy and equity market



Source: IHS Markit, MSCI, Macrobond Financial

Another piece of the inflation puzzle



Source: ECB, Eurostat, Danske Bank, Macrobond Financial

Contents

Financial views

Major indices			
	15-Dec	3M	12M
10yr EUR swap	0.79	0.90	1.20
EUR/USD	118	116	125
ICE Brent oil	64	53	61
	15-Dec	6M	12-24M

Source: Danske Bank

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Market movers

Global

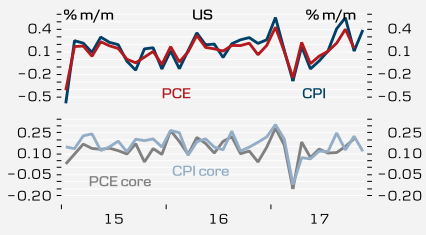
- In the **US**, the most import event next week will be the release of PCE figures for November on Friday. CPI numbers (usually a good predictor of PCE) for November were weaker than expected. Based on CPI, we estimate PCE core increased 0.1% m/m (1.5% y/y versus 1.4% in October although October was very close to 1.5% y/y) and PCE headline increased 0.3% m/m (1.8% y/y versus 1.6% y/y in October). The difference between the monthly increase in core and headline PCE is driven by increasing energy prices. Friday also brings core capex orders for November. Capex orders have gained strong momentum during the fall and the regional capex plans suggest that this trend will continue. The average of the regional capex plans is at its highest level since February 2007, indicating continued tail winds for core capex orders in the coming months.

- In the **euro area,** the wage growth figures for Q3 are due for release on Tuesday. Wages have been increasing steadily since Q3 16 reaching 1.8% y/y in Q2 17. Although wage growth has increased, it is still well below the pre-crisis average (from 1996 to 2008) of around 2.4% y/y. We do not expect wage growth to catch up to the pre-crisis average in the near future, as inflation expectations and negotiated wages (especially in Germany) do not show an upward trend (see *Euro Area Research: ECB inflation gap persists in 2019*, 4 December). The still-low wage growth is also one of the main reasons why we do not expect core inflation to pick up significantly in 2018, despite the ECB arguing with its 'super core inflation' measure that underlying inflation pressures are building up. We expect wage growth to remain around 1.8% y/y in H2 17. Note that the revised inflation figures for November are also due to be released on Monday.

  The German Ifo expectations are also due for release on Tuesday. Ifo expectations have been on the rise since we entered 2016 and this measure of German business sentiment might not have reach its peak yet. Although ZEW expectations dropped to 17.4 in December, German PMIs released this Thursday showed another month of increases both in manufacturing and services. Hence, we expect IFO expectations to increase to 111.5 in December.

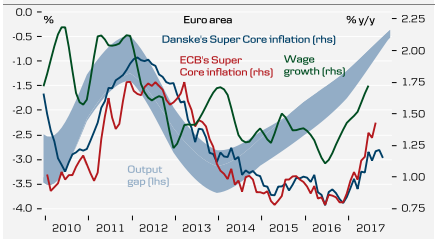
- In the **UK**, we have a quiet week ahead. The most important release is the index of services for October on Friday, which is important for the assessment of growth at the beginning of Q4. According to PMI services, service sector growth has been muted in Q4.

CPI and PCE tend to follow each other



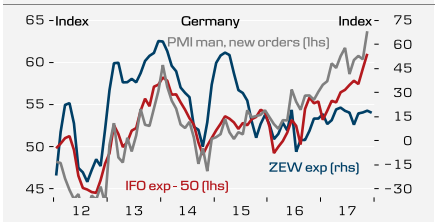
Sources: BLS, BEA, Macrobond Financial

Wages not expected to move much higher in near future



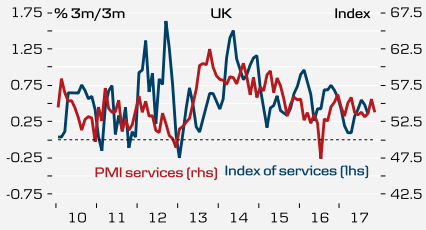
Source: ECB, Eurostat, Danske Bank, Macrobond Financial

Ifo expectations set to increase



Source: IFO, ZEW, Macrobond Financial

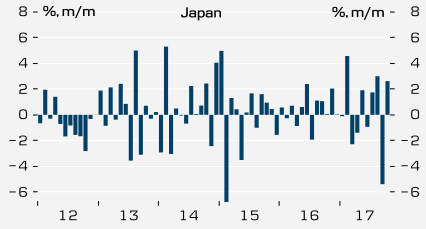
PMI services indicate service sector growth has stayed moderate



Source: IHS Markit, ONS, Macrobond Financial

- In **Japan**, the main event next week is the Bank of Japan's (BoJ) monetary policy meeting ending on Thursday. We expect the BoJ to keep its 'QQE with yield curve control' policy unchanged but we will be listening closely to the communication from Governor Haruhiko Kuroda during the press conference as he might elaborate on recent tightening speculation. More details will be included in our 'preview' next week. November exports are due on Monday. Foreign demand is currently the key growth driver in Japan as Japanese exporters are enjoying a tailwind from the relatively weak yen and the strong global economic upturn.
- In **China,** we will get more information on the cooling of the housing market with the release of property prices on Monday. We look for a further decline in the annual house price inflation as tightening measures start to bite.

Exports the main growth driver in Japan



Note: Measured in volumes
Source: Bank of Japan

China: froth coming out of the housing market

Source: Markit, Macrobond Financial, Danske Bank

Scandi

- In **Denmark**, a variety of interesting data is due to be released first thing on Thursday. First, we have consumer confidence, which edged up in November after falling from a two-year high in July. We expect the indicator to improve further in December to 8.2. Employment increased in September and we expect it to climb again in October. Also due out on Thursday morning is retail sales data for November. On Friday, the budget will get its third hearing. There have been confusing signals on the budget talks from the different parties in the ruling coalition, with the Liberal Alliance threatening to withdraw its support unless there is a political agreement on tax reform by Friday. There is therefore a risk of a political crisis and of the budget not getting final approval. Friday also brings revised national accounts data for Q3, where we will find out whether growth is still estimated to have been as bad as suggested previously.

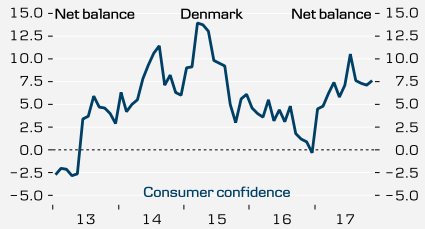
- The Riksbank's final policy announcement is due on Wednesday and this is when they have to make up their minds about the asset purchase programme (QE) going forward. Purchases started in February 2015 and by now the total holding of nominal bonds is around 45% of the stock (less in IL-bonds). In the meantime, inflation has risen and the scarcity of bonds has increased too. This is why we expect them to announce an end to QE at least on paper, even though we admit it is a close call. However, even so, purchases are unlikely to come to a standstill. First, because coupons will in all likelihood continue to be re-invested. Second, because of the redemption of SGB1052 in March 2019. This is a large loan (close to SEK100bn) and the Riksbank holds approximately 50% of it. This redemption is likely to be, at least in part, re-invested too and re-investments will spread out, starting in 2018. We also expect the Riksbank rate path to remain unchanged, i.e. with the first rate hikes by late next summer. However, the 'risk' is that the first hike is delayed somewhat to avoid sending an unwarranted hawkish signal.

  The National Institute of Economic Reasearch (NIER) is due to release a new macro forecast on Tuesday, and Wednesday we get the monthly business and consumer confidence data. The thing to monitor here is if and to what extent recent nervousness about housing has affected consumers (see chart showing consumer confidence).

  Finally, November retail sales are due to be released on Friday. We expect to see a modest 0.5% m/m and 1.2% y/y increases. Observe though that the modest y/y figure reflects mainly a very strong sales performance a year ago.

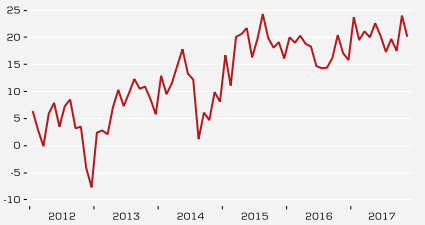
- In **Norway**, unemployment has been decreasing steadily since summer 2016, suggesting above-trend economic growth and rising capacity utilisation. It also continued to fall somewhat more quickly during the autumn than many, including Norges Bank, had anticipated. This indicates that capacity utilisation is rather higher than expected, which has been one of our main arguments for calling a first rate increase earlier than signalled by the central bank. The coming week brings jobless numbers from the NAV for December. All leading indicators are pointing to continued above-trend growth and rising employment and vacancies seem to be holding up well. We therefore expect an unchanged jobless rate of 2.3%, which translates into a moderate decrease in seasonally-adjusted terms. We expect gross unemployment – our preferred jobless measure – to fall by 1,000 people m/m.

Consumer confidence down from summer peak



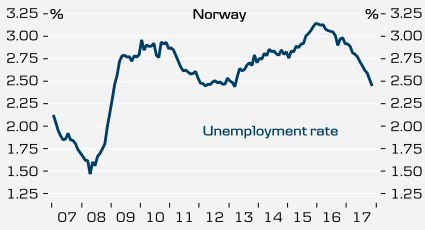
Source: Statistics Denmark

Still no sign of less upbeat consumers



Source: NIER

Unemployment back where it was before the oil crisis



Source: Macrobond Financial, Danske Bank

Market movers ahead

Global movers				Event		Period	Danske	Consensus	Previous
Mon	18-Dec	0:50	JPY	Exports	y/y (%)	Nov		*0.1*	0.1
		2:30	CNY	Property prices	y/y				
		11:00	EUR	HICP inflation, final	m/m|y/y	Nov			0.1%|1.5%
		11:00	EUR	HICP - core inflation, final	y/y	Nov			0.9%
Tue	19-Dec	10:00	DEM	IFO - expectations	Index	Dec	**111.5**		111.0
		11:00	EUR	Labour costs	y/y	3rd quarter	**1.8%**		1.8%
Thurs	21-Dec	-	JPY	BoJ policy rate	%		**-0.10%**		-0.10%
		-	JPY	BoJ monetary policy announcement					
Fri	22-Dec	10:30	GBP	Index of services	m/m|3m/3m	Oct		*0.2%|0.3%*	0.1%|0.4%
		14:30	USD	Core capital goods orders, preliminary	%	Nov			0.3%
		14:30	USD	PCE core	m/m|y/y	Nov	**0.1%|1.5%**	*0.1%|1.5%*	0.2%|1.4%
		14:30	USD	PCE headline	m/m|y/y	Nov	**0.3%|1.8%**	*0.3%|1.8%*	0.1%|1.6%
Scandi movers									
Tue	19-Dec	9:15	SEK	NIER economic forecasts					
Wed	20-Dec	9:30	SEK	Riksbank, rate decision	%		**-0.5%**	*-0.5%*	-0.5%
Fri	22-Dec	-	DKK	Final vote for 2018 government budget					
		9:30	SEK	Retail sales s.a.	m/m|y/y	Nov	**0.5%|1.2%**		0.1%|2.6%

Source: Bloomberg, Danske Bank

Global Macro and Market Themes

Strong economy and low rates continue

Economic data still strong

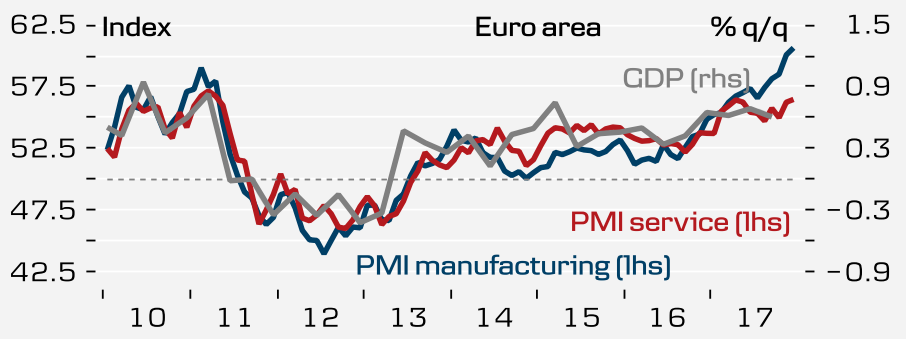
As we argued in our semi-annual global outlook *The Big Picture – Global economy still on a roll*, 4 December, the world economy is in good shape. **Growth across regions is quite strong compared with previously in this cycle, inflation remains muted, central banks are tightening monetary policy only gradually and there are not many risk factors to worry about near term.** We expect the global expansion to continue in coming years. Economic data and events over the past week have supported this view.

In the euro area, PMI manufacturing and PMI services rose and PMI composite now indicates 0.8% q/q GDP growth in Q4, which would be one of the strongest quarters since the 2011-13 European debt crisis. **Although soft economic indicators have had a tendency to over-estimate hard economic data recently, 2017 is still the strongest year since the crisis in terms of economic growth in the euro area.** Labour market data show euro area employment was 1.7% higher in Q3 17 than in Q3 16 (the strongest employment growth rate since the crisis).

In the US, NFIB small business optimism rose to one of the highest levels ever recorded, as tax reform is moving closer, although not a done deal yet. Combined with strong consumer confidence, it suggests the expansion will continue in coming years and that growth will become more balanced, driven by both consumption and investments. Retail sales in November indicate private consumption growth is strong here in Q4. Despite the expansion having lasted longer in the US than in Europe, it is interesting that inflation remains muted in the US. CPI core was once again weaker than expected (0.1% m/m versus 0.2% m/m expected), implying a CPI core inflation rate of just 1.7%.

In terms of political risks, it is good news that last Friday the UK and EU reached an agreement on the first phase of Brexit negotiations (divorce bill, Irish border and citizens' rights). Although EU leaders have not yet officially said the deal is 'sufficient' to move negotiations forward to transition and the future relationship, we believe this should be a formality. While it is too early for markets to price out the Brexit premium in GBP yet, as uncertainty remains high on what Brexit really means in terms of the future economic relationship, the better negotiating environment is promising for reaching a final deal eventually. This is one reason we expect EUR/GBP to move lower on Brexit clarification in 6-12M.

Very strong PMIs in the euro area

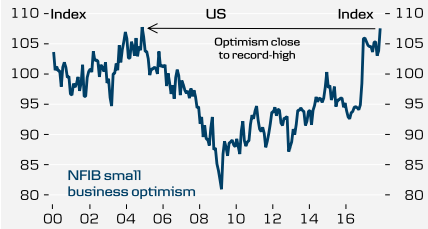


Source: IHS Markit, Eurostat, Macrobond Financial

Today's key points

- Recent economic data releases support our view that the global expansion continues, not least in the euro area, where PMIs have been very strong in Q4.
- It is too early for markets to price out Brexit risk just yet but it is positive that negotiations are moving forward.
- Central bank meetings support our view that global monetary policy tightening will be gradual.
- The environment is positive for risk assets such as equities; we believe EUR/USD will move higher and yields will stay low.

Extremely high optimism in the US



Source: NFIB, Macrobond Financial

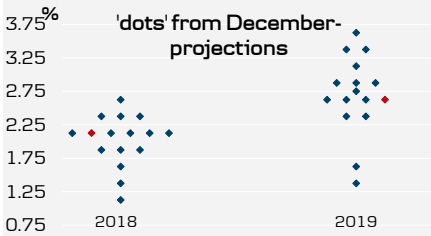
Central banks tightening monetary policy only gradually

We have had many central bank meetings this week, all of which support our view that global monetary policy will be tightened only gradually. The Fed hiked the target range by 25bp to 1.25-1.50% as expected, while still signalling three hikes in 2018 and slightly more than two in 2019. This was interpreted dovishly by the markets, as Janet Yellen revealed that 'most' FOMC participants have included some fiscal stimuli from tax reform in their projections but still the dot signals were broadly unchanged. While, all else being equal, higher growth means the dot plot should have been revised higher, the persistent low inflation pulls in the other direction, netting each other out. For more, see *FOMC Review – Broadly unchanged Fed signal*, 13 December.

The ECB delivered a fairly balanced policy message without further hints about a shift towards a more 'holistic' view on inflation and the economy despite a stronger growth and inflation outlook. We expect discussions about QE exit and policy normalisation to gain prominence in spring 2018. However, as QE is set to continue until at least September, we do not expect the first ECB hike before Q2 19. For more, see *ECB Review – Christmas mood leaves QE exit decisions for 2018*, 14 December.

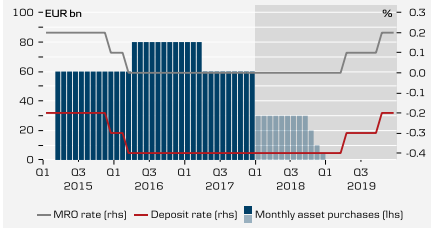
The Bank of England (BoE) did not change either the Bank Rate or its signals about future rate hikes. However, it noted that the Brexit deal on phase 1 may support business and consumer confidence and hence the economy. We believe the BoE will stay on hold in 2018 and not hike before Q1 19, as, in our view, it is too optimistic on wage growth and hence underlying inflation pressure and is reluctant to tighten too much relative to the ECB. Economists are divided on whether the BoE will hike in Q4 18 or Q1 19, while markets have priced in the first hike in Q4 18. Regardless of when the next hike comes, the BoE is still signalling that the hiking cycle will be gradual and limited in its extent.

Fed expects three hikes in 2018 and slightly more than two in 2019



Source: Federal Reserve

ECB set to taper QE purchases to zero in Q4 18



Source: ECB, Macrobond Financial, Danske Bank

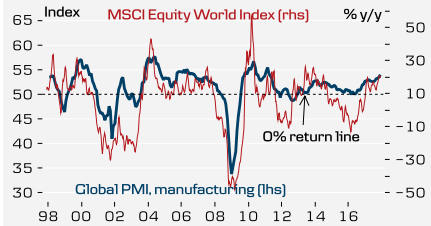
Market views

A combination of strong global cycle, muted inflation and few near-term risks is usually a good environment for risk assets such as equities. We remain positive on equities.

We still believe EUR/USD will move higher in 2018 and target 1.25 in 12M. While relative rates could possibly weigh a bit in the near term, we expect the FX market to focus increasingly on the potential for debt flows to support the single currency in the ECB's 'exit' process, which is only just getting started. We are long EUR/USD on a 12M horizon via options in *FX Top Trades 2018*, 6 December.

Despite central banks having begun the process of tightening monetary policy gradually, we expect policy rates to remain substantially below pre-crisis levels due to a low natural rate of interest. In the US, we expect US yields to move higher, as markets are still pricing the Fed too softly but **we expect the flattening of the UST 2Y10Y curve to continue**. The short end is pushed higher by Fed rate hikes, while the long end could be kept low by investors buying 'high yielding' US fixed income assets, low inflation expectations and a lower neutral rate. **In Europe, we expect a steeper curve**, as we think the ECB maintains a tight grip on the short end of the curve, while the long end is pushed higher by US yields and a smaller QE programme. We have a 12M 0.7% forecast for 10Y Germany. For more, see *Yield Outlook – Central bank exit but only modestly higher long yields*, 14 December.

Strong global cycle good news for equities



Source: IHS Markit, MSCI, Macrobond Financial

Global market views

Asset class	Main factors
Equities	
Positive on 3-6 month horizon.	Strong business cycle and near double digit earnings growth in most major regions. Low rates and bond yields drive demand for risk assets.
Bond market	
German/Scandi yields – set to stay in recent range for now, higher on 12M horizon	Inflation set to stay subdued despite decent growth. Stronger euro keeps euro inflation outlook down. ECB to normalise gradually only, due to lack of wage pressure and stronger euro. ECB on hold for a long time.
EU curve – 2Y10Y set to steepen when long yields rise again. Flattening	The ECB keeps a tight leash on the short end of the curve. With 10Y yields stable, the curve should change little on a 3-6M horizon. Risk is skewed towards a steeper curve but that is a 6M to 12M forecast.
US-euro spread - set to widen marginally	The Fed's QT programme (balance sheet reduction) is set to happen at a very gradual pace and the effect on the Treasury market should be benign. Yet, market pricing for Fed hikes is still dovish for 2019 and yields should edge higher on a 12M horizon.
Peripheral spreads – tightening but still some factors to watch	We expect economic recovery, ECB stimuli, better fundamentals, particularly in Portugal and Spain, an improved political picture and rating upgrades to lead to further tightening despite the recent strong moves. Italy is the big risk factor but it is very expensive to be short Italian bonds.
FX	
EUR/USD – consolidating near term but upside risks in 2018	EUR/USD to be rangebound near term. We still see the cross moving firmly into mid-1.20s supported by valuation and debt-flow reversal in 2018.
EUR/GBP – in range near term but GBP to strengthen eventually	We still see EUR/GBP within 0.8650-0.90 in coming months as the Brexit risk premium is likely to persist despite progress in negotiations. Longer term, GBP should
USD/JPY – gradually higher longer term but challenged near term	Policy normalisation at the Fed and eventually at the ECB, while the Bank of Japan is staying dovish, means support for EUR/JPY and USD/JPY alike on a 12M horizon.
EUR/SEK – risk to the topside on housing market, Riksbank pricing	Housing market risk premium to keep SEK under pressure alongside too aggressive Riksbank market pricing. Eventually lower but not story in coming quarters.
EUR/NOK – lower but watch out for year-end NOK-seasonality	NOK headwinds towards year end but longer term we expect the NOK to rebound on valuation, growth and real-rate differentials.
Commodities	
Oil price – range trading	June review weakens impact of extension of OPEC+ output cuts. Geopolitical tensions around Saudi Arabia and Iran on the rise. Temporary disruption on Forties

Source: Danske Bank

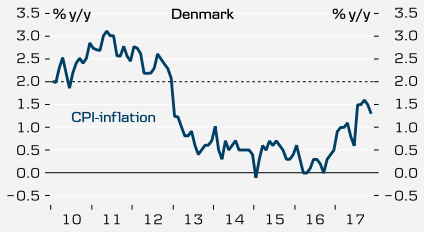
Scandi Update

Denmark – lower inflation in November

Inflation fell two-tenths of a point to 1.3% in November, which is slightly lower than over the summer but still well above the levels of recent years. It was mainly lower book and electricity prices that pushed inflation down, while higher petrol prices pulled in the other direction.

The week also brought figures showing that exports of goods fell 1.5% in October, which is disappointing given their flat growth so far this year. Manufacturing exports in particular performed poorly in October, which is surprising given the upturn in the global – and not least the European – economy. The tide should therefore turn before long, as there is nothing wrong with Danish competitiveness.

Inflation still high by recent years' standards



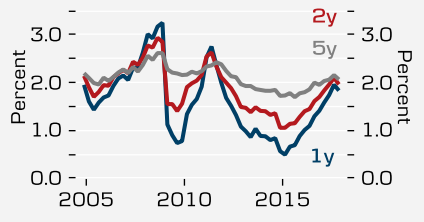
Source: Statistics Denmark

Sweden – higher CPIF on energy prices

Swedish CPIF (0.2% m/m and 2.0% y/y) was marginally higher than anticipated in November, basically reflecting clear increases in electricity and gasoline prices and to a little extent higher clothing prices. The latter is, however, probably a matter of 'distribution' between the months of November and December. Considering that CPIF excluding energy landed exactly in line with the Riksbank's forecast (1.7%), energy was clearly the reason why the November CPIF came in above its projection, i.e. something the Riksbank will 'look through'. The Prospera Q4 inflation expectation survey registered a (small) drop after having risen steadily for quite some time. This could of cause be a coincidence but, on the other hand, these surveys have a tendency of being adaptive (low inflation leads to low inflation expectations), and the fact that inflation peaked last summer and has since declined somewhat might play a role too. The Riksbank is very keen to see these expectations firmly anchored close to the 2% target.

Valueguard's housing price index (HOX) showed a further relatively steep decline in December, especially for tenant-owned flats in Stockholm, but the rest of the country is affected as well to a lesser extent. Prices on flats declined by 4.2% m/m and the drop from the August peak is now 13.3%. As mentioned, prices are under pressure in other cities as well and right now, we do not see a strong case for a rebound. People are worried about the tougher amortisation rules that come into effect in March next year and the fact remains that the supply of newly-built dwellings and new dwellings in the pipeline remains quite high in many places.

Small decline in inflation expectations

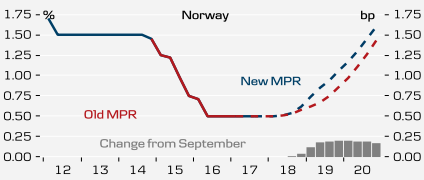


Source: Statistics Sweden, Danske Bank

Norway – Norges Bank signals rate hike next year

As expected, Norges Bank left interest rates alone at its meeting during the week but revised up the interest rate path from that presented in September. The bank is now signalling a first rate hike late next year. As we predicted, a weaker krone and higher oil prices were the most important factors behind the higher interest rate path. The bank also revised up its projections of growth in the mainland economy, due mainly to stronger growth in oil investment. This, in turn, led to unemployment being revised down and wages and prices up. We see no reason to change our forecast that Norges Bank will raise its key rate at next December's meeting, even though we expect the krone to strengthen more than the central bank assumes in the new monetary policy report.

Interest rate path revised up



Source: Macrobond Financial, Danske Bank

Latest research from Danske Bank

14/12 ECB review - Christmas mood leaves QE exit decisions for 2018

Despite a stronger growth and inflation outlook, the ECB delivered a fairly balanced policy message, but we expect discussions about QE exit and policy normalisation to gain prominence in the spring of 2018.

14/12 Yield Outlook - Central bank exit but only modestly higher long yields

Monthly yield outlook

14/12 Norges Bank Review: Rate hike at end-2018, steeper FRA curve, stronger NOK

As expected, Norges Bank left rates unchanged and reiterated near-term neutral bias

13/12 FOMC review: Broadly unchanged Fed signal

As expected, the Fed hiked the target range to 1.25%-1.50% and kept the dot signal broadly unchanged.

13/12 Research Denmark: Danish housing market currently no threat to the real economy

We do not see any strong corrections in the housing market ahead, but prices are likely to be extra interest-rate sensitive going forward, especially in the Copenhagen area.

Macroeconomic forecast

Macro forecast, Scandinavia

	Year	GDP[1]	Private cons.[1]	Public cons.[1]	Fixed inv.[1]	Stock build.[2]	Ex-ports[1]	Im-ports[1]	Infla-tion[1]	Unem-ploym.[3]	Public budget[4]	Public debt[4]	Current acc.[4]
Denmark	2016	2.0	2.3	0.3	6.0	0.0	2.8	3.8	0.3	4.2	-0.6	37.7	7.3
	2017	2.4	1.9	1.0	2.6	0.1	5.0	4.7	1.1	4.4	-0.9	35.6	8.3
	2018	2.0	2.3	0.5	4.3	0.0	2.8	3.6	1.1	4.3	-0.7	34.4	7.8
Sweden	2016	3.3	2.2	3.4	5.6	0.0	3.3	3.4	1.0	6.9	1.1	42.4	1.1
	2017	3.1	2.3	0.6	8.0	0.0	3.4	5.0	1.9	6.7	0.3	39.5	4.8
	2018	2.0	1.4	1.6	3.1	0.0	3.3	3.3	1.7	6.6	0.0	39.3	5.2
Norway	2016	1.0	1.5	2.1	-0.2	1.4	-1.8	2.3	3.6	3.0	-	-	-
	2017	2.0	2.5	1.8	3.6	0.2	1.0	4.5	2.0	2.7	-	-	-
	2018	2.3	2.4	2.1	2.0	-0.1	1.5	0.7	1.6	2.5	-	-	-

Macro forecast, Euroland

	Year	GDP[1]	Private cons.[1]	Public cons.[1]	Fixed inv.[1]	Stock build.[2]	Ex-ports[1]	Im-ports[1]	Infla-tion[1]	Unem-ploym.[3]	Public budget[4]	Public debt[4]	Current acc.[4]
Euroland	2016	1.8	2.0	**1.7**	**4.5**	-	3.3	4.7	0.2	10.0	-1.5	88.9	3.3
	2017	2.4	1.8	**1.1**	**4.1**	-	4.8	4.7	1.5	9.1	-1.1	88.1	3.0
	2018	2.0	1.9	**1.3**	**4.9**	-	3.7	4.9	1.2	8.4	-0.9	87.2	3.0
Germany	2016	1.9	1.9	3.7	2.9	-	2.4	3.8	0.4	4.2	0.8	68.1	8.3
	2017	2.6	2.4	1.2	4.4	-	4.8	5.2	1.7	3.8	0.9	64.8	7.8
	2018	2.4	2.4	2.0	4.2	-	3.6	5.2	1.4	3.5	1.0	61.2	7.5
France	2016	1.1	2.1	1.2	2.7	-	1.9	4.2	0.3	10.0	-3.4	96.5	-0.9
	2017	1.9	1.3	1.6	3.6	-	3.1	4.8	1.2	9.5	-2.9	96.9	-1.0
	2018	2.2	2.3	1.5	4.5	-	3.6	4.8	1.2	9.3	-2.9	96.9	-0.9
Italy	2016	1.1	1.5	0.5	3.0	-	2.6	3.3	-0.1	11.7	-2.5	132.0	2.7
	2017	1.5	1.5	0.9	3.2	-	5.1	5.5	1.3	11.3	-2.1	132.1	2.5
	2018	1.4	1.2	0.7	4.4	-	3.4	4.0	0.9	10.9	-1.8	130.8	2.5
Spain	2016	3.3	3.0	0.8	3.3	-	4.8	2.7	-0.3	19.6	-4.5	99.0	1.9
	2017	3.1	2.5	1.2	4.8	-	5.0	3.9	2.0	17.3	-3.1	98.4	1.7
	2018	2.7	2.9	1.2	3.7	-	3.0	3.3	1.2	15.7	-2.4	96.9	1.9
Finland	2016	1.9	1.8	1.2	7.2	-	1.3	4.4	0.4	8.8	-1.8	63.1	-1.4
	2017	2.8	2.0	-0.2	8.5	-	8.0	5.0	0.7	8.5	-2.1	63.0	-0.4
	2018	1.8	1.5	0.2	3.0	-	4.0	3.0	1.1	8.0	-1.1	62.4	-0.4

Macro forecast, Global

	Year	GDP[1]	Private cons.[1]	Public cons.[1]	Fixed inv.[1]	Stock build.[2]	Ex-ports[1]	Im-ports[1]	Infla-tion[1]	Unem-ploym.[3]	Public budget[4]	Public debt[4]	Current acc.[4]
USA	2016	1.5	2.7	0.8	0.7	-0.4	-0.3	1.3	1.3	4.9	-3.2	106.0	-2.4
	2017	2.2	2.7	-0.2	3.8	-0.1	3.2	3.3	2.2	4.4	-3.6	106.0	-2.4
	2018	2.4	2.2	0.0	5.1	0.0	3.6	2.6	2.5	4.0	-3.5	107.0	-3.0
China	2016	6.7	-	-	-	-	-	-	2.0	4.1	-3.0	46.3	2.4
	2017	6.8	-	-	-	-	-	-	2.0	4.3	-3.3	49.9	2.1
	2018	6.3	-	-	-	-	-	-	2.0	4.3	-3.0	53.3	1.5
UK	2016	1.8	2.9	1.1	1.3	0.5	1.1	4.3	0.7	4.9	-2.9	88.3	-4.4
	2017	1.5	1.8	0.6	2.4	-0.4	4.5	3.0	2.6	4.4	-2.4	87.0	-4.6
	2018	1.3	1.3	0.5	1.9	0.1	2.4	2.2	2.2	4.1	-2.0	87.3	-4.7

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

Financial forecast

Bond and money markets

		Key int. rate	3m interest rate	2-yr swap yield	10-yr swap yield	Currency vs EUR	Currency vs USD	Currency vs SEK
USD	15-Dec	1.50	1.59	2.01	2.35	117.9	-	843.1
	+3m	1.50	1.58	2.15	2.35	116.0	-	870.7
	+6m	1.75	1.75	2.25	2.40	120.0	-	816.7
	+12m	1.75	2.04	2.55	2.70	125.0	-	776.0
EUR	15-Dec	0.00	-0.33	-0.19	0.79	-	117.9	993.9
	+3m	0.00	-0.33	-0.10	0.90	-	116.0	1010.0
	+6m	0.00	-0.33	-0.05	1.00	-	120.0	980.0
	+12m	0.00	-0.33	-0.05	1.20	-	125.0	970.0
JPY	15-Dec	-0.10	-0.02	0.04	0.24	132.3	112.2	7.52
	+3m	-0.10	-	-	-	132.2	114.0	7.64
	+6m	-0.10	-	-	-	138.0	115.0	7.10
	+12m	-0.10	-	-	-	145.0	116.0	6.69
GBP	15-Dec	0.50	0.52	0.79	1.26	87.7	134.4	1133.3
	+3m	0.50	0.53	0.85	1.35	89.0	130.3	1134.8
	+6m	0.50	0.53	0.90	1.50	87.0	137.9	1126.4
	+12m	0.50	0.64	1.10	1.75	86.0	145.3	1127.9
CHF	15-Dec	-0.75	-0.75	-0.51	0.21	116.4	98.8	853.7
	+3m	-0.75	-	-	-	115.0	99.1	878.3
	+6m	-0.75	-	-	-	118.0	98.3	830.5
	+12m	-0.75	-	-	-	123.0	98.4	788.6
DKK	15-Dec	0.05	-0.30	-0.07	0.97	744.4	631.4	133.5
	+3m	0.05	-0.30	0.05	1.10	744.3	641.6	135.7
	+6m	0.05	-0.30	0.10	1.20	744.3	620.2	131.7
	+12m	0.05	-0.30	0.15	1.45	744.5	595.6	130.3
SEK	15-Dec	-0.50	-0.59	-0.22	1.10	993.9	843.1	100.0
	+3m	-0.50	-0.50	-0.05	1.15	1010.0	870.7	-
	+6m	-0.50	-0.45	-0.05	1.15	980.0	816.7	-
	+12m	-0.50	-0.45	-0.05	1.25	970.0	776.0	-
NOK	15-Dec	0.50	0.83	1.10	1.87	975.9	827.8	101.8
	+3m	0.50	0.80	1.10	2.00	940.0	810.3	107.4
	+6m	0.50	0.80	1.15	2.10	920.0	766.7	106.5
	+12m	0.75	1.10	1.35	2.45	910.0	728.0	106.6

Commodities

		2017				2018				Average	
	15-Dec	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2017	2018
NYMEX WTI	58	52	48	48	55	58	58	58	58	51	58
ICE Brent	64	55	51	52	62	62	62	64	64	54	63

Source: Danske Bank

Calendar

Key Data and Events in Week 51

During the week				Period	Danske Bank	*Consensus*	Previous
Sat 16	EUR	ECB's Coeure speaks in Bangkok					
Monday, December 18, 2017				Period	Danske Bank	*Consensus*	Previous
0:50	JPY	Exports	y/y (%)	Nov		*0.1*	0.1
0:50	JPY	Import	y/y (%)	Nov		*0.2*	0.2
0:50	JPY	Trade balance, s.a.	JPY bn	Nov		*265.0*	322.9
2:30	CNY	Property prices	y/y				
11:00	EUR	HICP inflation, final	m/m|y/y	Nov			0.1%|1.5%
11:00	EUR	HICP - core inflation, final	y/y	Nov			0.9%
16:00	USD	NAHB Housing Market Index	Index	Dec		*70.0*	70.0
Tuesday, December 19, 2017				Period	Danske Bank	*Consensus*	Previous
1:30	AUD	RBA December Meeting Minutes					
9:15	SEK	NIER economic forecasts					
10:00	DEM	IFO - business climate	Index	Dec			117.5
10:00	DEM	IFO - current assessment	Index	Dec			124.4
10:00	DEM	IFO - expectations	Index	Dec	**111.5**		111.0
11:00	EUR	Labour costs	y/y	3rd quarter	**1.8%**		1.8%
14:00	HUF	Central Bank of Hungary rate decision	%		**0.90%**	*0.90%*	0.90%
14:30	USD	Building permits	1000 (m/m)	Nov		*1275*	1316.0 (7.4%)
14:30	USD	Housing starts	1000 (m/m)	Nov		*1250*	1290.0 (13.7%)
14:30	USD	Current account	USD bn	3rd quarter		*-116.5*	-123.1
Wednesday, December 20, 2017				Period	Danske Bank	*Consensus*	Previous
9:00	SEK	Consumer confidence	Index	Dec			108.0
9:00	SEK	Economic Tendency Survey	Index	Dec			114.1
9:00	SEK	Manufacturing confidence	Index	Dec			121.9
9:30	SEK	Riksbank, rate decision	%		**-0.5%**	*-0.5%*	-0.5%
10:00	EUR	Current account	EUR bn	Oct			37.8
16:00	USD	Existing home sales	m (m/m)	Nov		*5.53*	5.48|2.0%
16:30	USD	DOE U.S. crude oil inventories	K				-5117
22:45	NZD	GDP	q/q|y/y	3rd quarter		*0.6%|2.4%*	0.8%|2.5%

Source: Danske Bank

Calendar (continued)

Thursday, December 21, 2017				Period	Danske Bank	*Consensus*	Previous
-	JPY	BoJ policy rate	%		**-0.10%**		-0.10%
-	JPY	BoJ monetary policy announcement					
1:01	GBP	GfK consumer confidence	Index	Dec		*-12.0*	-12.0
8:00	DKK	Consumer confidence	Net. bal.	Dec	**8.2**		7.6
8:00	DKK	Retail sales	m/m|y/y	Nov			-1.1%|-1.8%
8:45	FRF	Business confidence	Index	Dec		*111.0*	111.0
9:00	DKK	Employment (monthly)	1.000|m/m	Oct			2,707|3,800
14:30	USD	Initial jobless claims	1000				225
14:30	USD	GDP, final release	q/q AR	3rd quarter		*3.3%*	3.3%
14:30	USD	Philly Fed index	Index	Dec		*21.0*	22.7
14:30	CAD	CPI	m/m|y/y	Nov			...|1.4%
14:30	CAD	Retail sales	m/m	Oct			0.1%
15:00	USD	FHFA house price index	m/m	Oct			0.3%
16:00	EUR	Consumer confidence, preliminary	Net bal.	Dec			0.1
Friday, December 22, 2017				**Period**	**Danske Bank**	***Consensus***	**Previous**
-	DKK	Final vote for 2018 government budget					
8:00	DEM	GfK consumer confidence	Net. Bal.	Jan			10.7
8:00	DKK	GDP, final	q/q|y/y	3rd quarter			-0.6%|...
8:45	FRF	Household consumption	m/m|y/y	Nov		*1.4%|0.4%*	-1.9%|-0.6%
8:45	FRF	GDP, final	q/q|y/y	3rd quarter		*0.5%|2.2%*	0.5%|2.2%
9:00	CHF	KOF leading indicator	Index	Dec			110.3
9:30	SEK	Retail sales s.a.	m/m|y/y	Nov	**0.5%|1.2%**		0.1%|2.6%
9:30	SEK	PPI	m/m|y/y	Nov			0.3%|2.5%
10:00	NOK	Unemployment	%	Dec	**2.3%**		2.3%
10:30	GBP	GDP, final	q/q|y/y	3rd quarter		*0.4%|1.5%*	0.4%|1.5%
10:30	GBP	Index of services	m/m|3m/3m	Oct		*0.2%|0.3%*	0.1%|0.4%
14:30	USD	Personal spending	m/m	Nov		*0.4%*	0.3%
14:30	USD	Core capital goods orders, preliminary	%	Nov			0.3%
14:30	USD	PCE core	m/m|y/y	Nov	**0.1%|1.5%**	*0.1%|1.5%*	0.2%|1.4%
14:30	USD	PCE headline	m/m|y/y	Nov	**0.3%|1.8%**	*0.3%|1.8%*	0.1%|1.6%
14:30	CAD	GDP	m/m|y/y	Oct			0.2%|3.3%
16:00	USD	New home sales	1000 (m/m)	Nov		*651*	685.0 (6.2%)
16:00	USD	University of Michigan Confidence, final	Index	Dec		*97.2*	96.8

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Source: Danske Bank

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