

# Weekly Focus Sweden

## Fed set to hike amid trade war risks

### Market movers ahead

- Markets are still **focusing on the risk of a full-blown global trade war**, as US President Donald Trump is likely to announce protectionist measures against China soon.
- We expect the **Fed** to hike the target range by 25bp at next week’s meeting, while sticking to its current signal of three hikes this year.
- The **EU and UK** are likely to agree at next week’s EU summit on a transition period lasting until year-end 2020 (deal likely to be announced before). While this is positive, the negotiations on the future relationship are likely to be more complicated.
- In the **euro area** and the **US**, preliminary PMIs will give us more information about whether or not the phase of increasing growth is over for now. In **China**, the main number of interest is house prices.
- In **Scandinavia**, the spotlight is on the Norwegian labour market data and Riksbank speeches.

### Global macro and market themes

- While an all-out trade war is still not our base case, risks remain as long as further trade measures loom.
- The USD is likely to be a victim of increased US protectionism.
- The global reflation theme has lost some momentum lately but we still expect the Fed to hike next week and to pencil in three hikes for 2019.

### Focus

- *Research – 10 areas where China could retaliate vs US measures*, 15 March.
- *Norges Bank Review – NB to hike rates in September, steeper FRA, stronger NOK*, 15 March.
- *FX Strategy – Trump in MEVA space: US isolation puts USD at risk*, 14 March.

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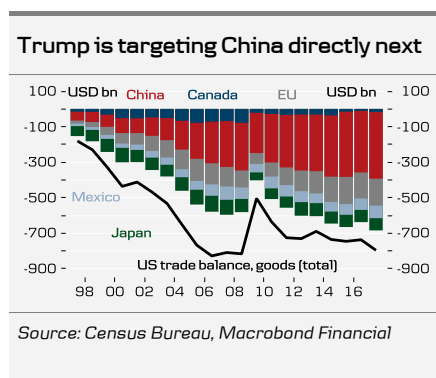
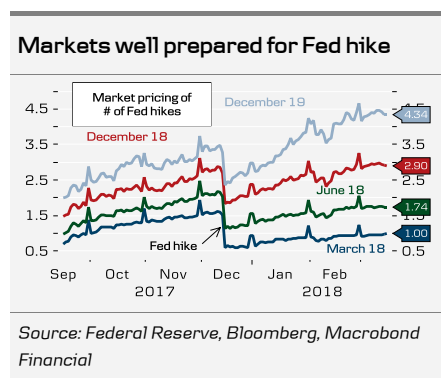
### Financial views

Major indices			
	16-Mar	3M	12M
10yr EUR swap	1.01	1.20	1.60
EUR/USD	123	123	128
ICE Brent oil	65	62	64

Source: Danske Bank

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# Market movers

## Global

- In the **US**, this coming week brings the FOMC meeting, the first with Jerome Powell as Chair. We expect the Fed to increase its target range by 25bp to 1.50-1.75%, as the economy is strong. Among other things, Powell’s testimony from February points to a continuation of the gradual hiking cycle, as he expects inflation to increase and stabilise at 2%, so he does not view the economy fundamentally differently from Janet Yellen. As everyone expects a hike, the updated ‘dots’ are more important and we expect the Fed to maintain the three hikes signal for this year but show more confidence in the signal, as more of the dovish members now seem to support this. This is deepened in March 2018 (see *FOMC Preview – Sticking to three rate hikes signal*, 16 March). We will look out for further Fed comments after the meeting, when individual members usually express their own outlook. At the moment, two Fed speeches are scheduled.

On Thursday, Markit PMIs are due for release. In January, the manufacturing PMI fell from 55.5 down to 55.3 but despite this slight downfall, the level of the PMI numbers is still the highest since March 2015. We still believe there are signs suggesting the phase with increasing growth in the manufacturing sector is over but we think that manufacturing PMI will stabilise at a high level. Optimism remains high as consumer confidence rose further in February. In our view, this suggests the services PMI could rise further from 55.9 to 56.4.

- In the **euro area**, the PMI figures for March are due for release on Thursday. For two consecutive months, we have seen manufacturing PMI decline. After peaking at 60.6 in December 2017, it declined to 58.6 in February. We expect to see a further decline to 57.6 in March. We have seen the leading order-inventory indicator move into negative territory and expect the 2017 euro appreciation to drag on the high manufacturing PMI. Overall, we believe manufacturing PMI will remain at a high level despite its decline. Service PMI increased from 54.9 in October 2017 to 58.0 in January but saw a large fall to 56.2 in February. Given the large fall in the leading ‘New Business’ indicator, we also expect a further decline in Services PMI in March to 55.7.

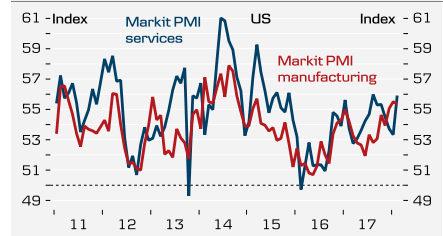
We also expect the March print of German Ifo expectations on Thursday. Ifo expectations have been falling since November 2017. In February, the figure decreased to 105.4 and we expect it to be 105.0 in March.

Further, we expect Luis de Guindos to be formally appointed as ECB Vice-President during the 22-23 March heads of state meeting. De Guindos is due to start at the ECB on 1 June 2018.

- In the **UK**, the calendar is filled with interesting data releases and events. The most important event is the EU summit on Thursday and Friday, when the ambition is to formalise the transition deal, with the EU leaders expected to approve the EU’s guidelines for the framework of the future relationship. Based on recent news stories, it seems like an agreement on transition is just around the corner, as only a few issues remain outstanding. In our view, an agreement would be GBP positive but, at the end of the day, a move lower in EUR/GBP depends on the final withdrawal text (also because the transition agreement is conditioned on the final deal).

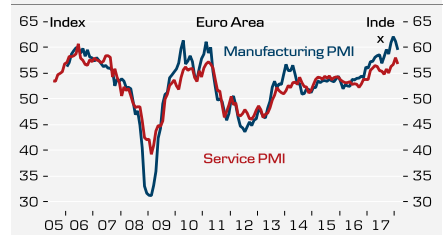
The Bank of England (BoE) is due to hold one of its smaller meetings on Thursday without updated projections or a press conference. We do not expect any major shifts in policy signals, as the BoE has said it will not pre-commit to a hike this time around. We still expect the BoE to hike in May but will look out for CPI inflation and the labour market report due out during the week, as they are important for the timing of the hike.

### We expect services PMI to increase and manufacturing PMI to stabilise in March



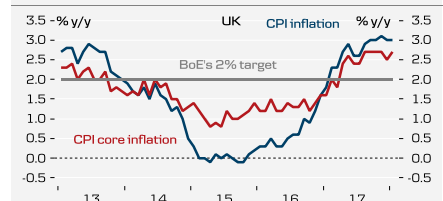
Source: ISM, IHS Markit, Macrobond Financial

### PMIs set for another decline



Source: Markit PMI, Macrobond Financial, Danske Bank

### High inflation is one reason we believe the BoE is likely to hike in May



Source: ONS, Macrobond Financial

- The main number of interest in **China** next week is house prices. We look for a broadly unchanged pace of house price increases around 5% y/y. The housing market has cooled down over the past year in response to tightening measures.
- In **Japan**, we are due to get February exports on Monday and March Manufacturing PMIs on Wednesday. Foreign demand is currently the key growth driver in Japan, as exporters enjoy a tailwind from the strong global economic upturn. The manufacturing sector has been a key contributor here. It will be interesting to see whether the recent yen strengthening affected exports in February. On Friday, we get February inflation figures. The Bank of Japan's target measure, CPI excluding fresh food, has been flat at 0.9% y/y for three consecutive months. So far, it looks as though spring wage negotiations will result in higher wage increases compared with 2017's 2% but it will still fall short of Prime Minister Shinzō Abe's target of 3%. The final result is not likely to be enough to move inflation much higher for now but, in our view, it is a step in the right direction for the Bank of Japan.

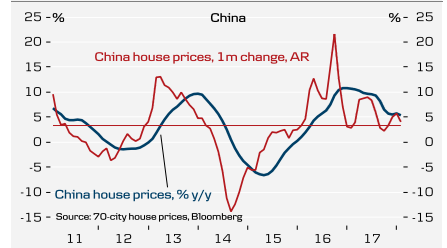
**Scandi**

- In **Denmark**, some interesting data are on the cards. Tuesday brings figures for consumer confidence, which has made a strong start to 2018, with increases in January and February taking the indicator to its highest level since July last year. We expect the mood to remain upbeat in March and forecast an unchanged score of 8.5. Employment numbers for January follow on Wednesday. The number of people in work increased by more than 2,000 in December to just below the record high set before the financial crisis. The labour market is tightening but the labour force has also grown markedly in recent years. February retail sales round off the week on Friday.
- **Sweden's Riksbank's Deputy Governors Henry Ohlsson and Martin Flodén are scheduled to speak** about the economic situation and current monetary policy on Tuesday 20 March and Thursday 22 March, respectively. The backdrop is that inflation was lower than the Riksbank's forecast for February.

No statistics are due this week.

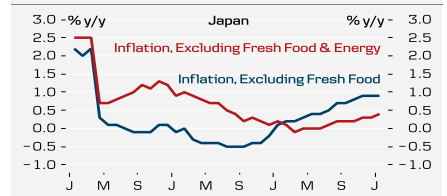
- In **Norway**, the focus in the coming week will be on the labour market, with unemployment numbers from both the LFS and the NAV. As usual, we will set most store by the latter, which we believe paint the best picture of developments in the labour market. The NAV jobless measure has trended steadily downwards since the end of 2016, although monthly volatility has increased recently, resulting in slightly greater uncertainty, but we still expect the figures to show a clear improvement in the labour market and believe it is actually a little tighter than expected. As the collection date has been moved forward ahead of Easter, we expect an unchanged jobless rate of 2.5%, with gross unemployment falling by 500 people m/m in March. There has been an almost inexplicable increase in LFS unemployment over the past couple of months, with the survey defying all other statistics to show slightly slower job creation. Sooner or later, the two measures will start to converge again but we think January (December-March) is too early and so predict an unchanged LFS jobless rate of 4.1%. The risk, though, is clearly on the downside.

**More moderate house price increases in China following tightening measures**



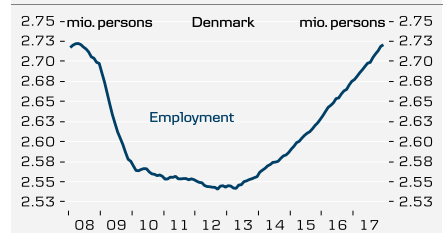
Source: Macrobond Financial, Danske Bank

**Underlying price pressure still very low in Japan**



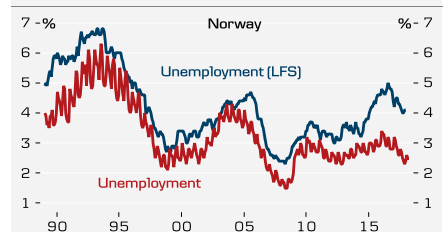
Source: Japanese Cabinet Office, Macrobond Financial

**Employment close to record high**



Source: Statistics Denmark

**Historical divergence between jobless measures**



Source: Macrobond Financial, Danske Bank

Market movers ahead

Global movers			Event		Period	Danske	Consensus	Previous
During the week								
Mon	19-Mar	0:50	JPY	Exports	y/y (%)	Feb	0.0	0.1
		0:50	JPY	Import	y/y (%)	Feb	0.2	0.1
		2:30	CNY	Property prices	y/y			
Tue	20-Mar	10:30	GBP	CPI	m/m y/y	Feb	0.5% 2.7%	0.5% 2.8%
		10:30	GBP	CPI core	y/y	Feb	2.5%	2.5%
Wed	21-Mar	10:30	GBP	Unemployment rate (3M)	%	Jan	4.4%	4.4%
		19:00	USD	FOMC meeting	%		1.75%	1.5%
Thurs	22-Mar	1:30	JPY	Nikkei Manufacturing PMI, preliminary	Index	Mar		54.1
		10:00	DEM	IFO - expectations	Index	Mar		104.5
		10:00	EUR	PMI manufacturing, preliminary	Index	Mar	57.6	58.2
		10:00	EUR	PMI services, preliminary	Index	Mar	55.7	56.0
		13:00	GBP	BoE minutes				56.2
		14:45	USD	Markit PMI manufacturing, preliminary	Index	Mar		55.5
		15:45	USD	Markit PMI service, preliminary	Index	Mar	56.4	56.0
Fri	23-Mar	-	EUR	EU summit in Brussels				55.9
		0:30	JPY	CPI - national ex. fresh food	y/y	Feb		1.0%
								0.9%
Scandi movers								
During the week								
Mon	19-Mar	-	SEK	Riksbank's Ohlsson speaks				
Tue	20-Mar	-	NOK	Unemployment (LFS)	%	Jan	4.10%	4.10%
Wed	21-Mar	8:00	NOK	Unemployment (LFS)	%	Jan	4.10%	4.10%
Thurs	22-Mar	-	SEK	Riksbank's Flodén speaks				

Source: Bloomberg, Danske Bank

# Global Macro and Market Themes

## Trump's attack on globalisation continues

This week saw a further step towards US protectionism, eyeing China in particular. After last week, when Donald Trump's administration imposed tariffs on the import of steel and aluminium, the administration this week blocked Broadcom's proposed takeover of Qualcomm for 'national security' reasons. Furthermore, White House trade adviser Peter Navarro yesterday said the US administration would consider steps against China's alleged theft of US intellectual property over coming weeks. In addition, according to a Reuters' story, Trump is considering imposing tariffs on USD60bn of imported goods from China, which corresponds to 13% of total imported goods from China and 2.75% of US total goods imports.

### Degree of retaliation by China is key

The more protectionist stance has raised the prospects of retaliation by US trading partners. The EU is trying to persuade the US to exempt the EU from tariffs given its status as a key ally of the US (Trump tweeted this week that he wants zero-tariff trade between the EU and the US). However, given the likely targeted US trade measures against China, the bigger risk of an escalation lies with China (see more details on our take on how China could react in *Research – 10 areas where China could retaliate vs. US measures*, 15 March). While we expect China to retaliate against any protectionist measures implemented by Trump, we believe it would tread carefully and not strike back too hard. Among the US goods to be targeted are soybeans, grains and aircraft, which are politically sensitive for Trump. China could also sell US treasuries but we do not expect this to be the first line of defence.

### Key points

- Trump takes further steps against globalisation.
- While an all-out trade war is still not our base case, risks remain as long as further trade measures are looming.
- The USD a likely victim of increased US protectionism.
- The global reflation theme has lost some momentum lately but we still expect the Fed to hike next week and to pencil in three hikes for next year.

### What makes Trump see red? The trade deficit with China



Source: BEA, Macrobond Financial, Danske Bank

### US trade with China: Chinese retaliation measures likely to target US exports of soybeans, grains and aircraft

	Exports		Imports		Trade balance USD bn
	USD bn	% of total	USD bn	% of total	
Food & Live Animals	5.6	4.3	5.9	1.2	-0.3
Beverages & Tobacco	0.3	0.2	0.1	0.0	0.2
Crude Materials, Inedible Except Fuels	27.0	20.7	2.2	0.4	24.9
Mineral Fuels, Lubricants & Related Materials	8.6	6.6	0.7	0.1	7.9
Animal & Vegetable Oils, Fats & Waxes	0.0	0.0	0.1	0.0	0.0
Chemicals & Related Products	15.8	12.1	17.8	3.5	-2.1
Manufactured Goods Classified Chiefly by Material	5.5	4.2	53.9	10.7	-48.4
Machinery & Transport Equipment	55.6	42.7	268.0	53.0	-212.4
Miscellaneous Manufactured Articles	10.2	7.8	150.8	29.8	-140.6
Commodities & Transactions Not Classified Elsewhere	1.8	1.4	6.2	1.2	-4.4
<b>TOTAL</b>	<b>130.4</b>	<b>100.0</b>	<b>505.6</b>	<b>100.0</b>	<b>-375.2</b>

Source: Census Bureau, Danske Bank

## USD may be a victim of increased US protectionism

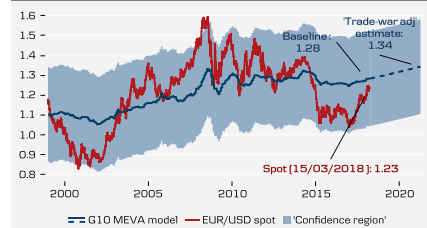
In themselves, US import tariffs should (in theory) foster USD appreciation but as these, in the current setting, are part of a wider agenda to boost the US economy, protectionist measures have generally become associated with a political push for a weaker USD. Further, as risk appetite would be likely to sour because of ‘US isolation’, the USD may not exhibit the usual safe-haven properties in this context (rather the contrary perhaps). Finally, because of a wider set of US trade restrictions, we see potential for US productivity to decline over time, which would imply a real depreciation of the USD. In a risk scenario with more aggressive US protectionist measures, our medium-term model sees the EUR/USD moving to 1.34, while in our base case of limited trade fall-out, the medium-term value for the cross is still around 1.28.

## Global deflation theme losing some momentum lately but Fed still set to hike next week

Fear of global deflation was one of the key triggers of the equity sell-off in early February. The stronger-than-expected wage growth in the nonfarm payrolls set off the sell-off. However, the numbers have provided less support to the deflation theme. The nonfarm payroll number last Friday saw only a small tick up in wage inflation, while February’s strong increase was revised down. Furthermore, as announced on Tuesday, US CPI inflation for February grew at a monthly rate of 0.2%, as expected, while core inflation also fell back slightly. Market-based inflation expectations have also declined somewhat on the back of the numbers.

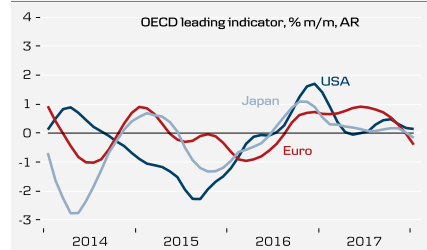
Less concern about deflation, and hence a more aggressive central bank stance, has prompted a rebound in risky assets. While we expect the Fed to raise the target range by 25bp to 1.50-1.75% at its meeting next week, we expect the FOMC to maintain the hiking signal at three hikes this year, albeit lifting the median dot for next year from 2.25 to 3.00 hikes in line with our view. Hence, we disagree with the markets, which price in only slightly more than one hike next year (so a total of slightly more than four hikes from now until year-end 2019 against our expectation of six hikes). However, typically, markets are more focused on the near-term outlook, so we do not expect major market volatility on the back of the Fed meeting next week.

### ‘US trade war adjusted’ MEVA estimate for EUR/USD at 1.34



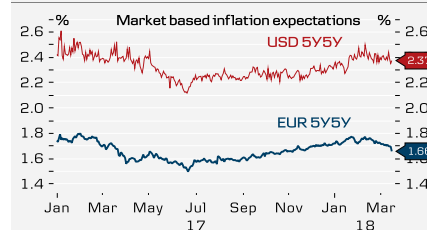
Note: the MEVA model is our medium-term valuation FX model, the risk scenario assumes a significant trade war  
Source: Macrobond Financial, Danske Bank

### Global macro-momentum losing strength...



Source: OECD, Macrobond Financial, Danske Bank

### ...and market-based inflation has fallen back a bit lately



Source: Bloomberg, Macrobond Financial

**Financial views**

Asset class	Main factors
<b>Equities</b> Positive on 3-12 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.
<b>Bond market</b> Germany/Scandi yields - in recent range for now, higher in 12M EU curve - 2Y10Y modestly steeper; 5Y10Y and 10Y30 flatter. US curve - 2Y10Y steepening set to be continued. US-euro spread - short-end to widen further Peripheral spreads - tightening but still some factors to watch	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. The ECB keeps a tight leash on the short end of the curve. But 10Y higher as US impact. The spread in the short-end to widen further as Fed continue to hike 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.
<b>FX</b> EUR/USD - rangebound near term but upside risks still dominate EUR/GBP - gradually lower over the medium term on BoE and Brexit USD/JPY - lower short term EUR/SEK - risk to the topside on housing market, inflation and RB EUR/NOK - set to move lower still	In 1.21-1.26 range for now but supported longer term by valuation and capital-flow reversal as ERCB 'normalisation' continues and USD weakness persists. High expectations of BoE rate hike in May and Brexit to underpin EUR/GBP near term, Longer term, GBP should strengthen on Brexit clarifications and BoE rate hikes. Expect JPY to strengthen in coming months on the back of portfolio flows into Japan ahead of fiscal year end, stretched JPY positioning and fragile risk markets. We remain negative on the SEK on the back of lower growth, weak inflation outlook and too aggressive RB pricing; eventually EUR/SEK lower but not a H1 story. We remain positive on NOK on valuation, relative growth, positioning, terms-of-trade, the global outlook, and Norges Bank initiating a hiking cycle.
<b>Commodities</b> Oil price - starting to correct lower again	June review weakens impact of extension of OPEC+ output cuts. Geopolitical tensions around Saudi Arabia and Iran looming. Support from falling USD.

Source: Danske Bank

# Scandi Update

## Denmark – inflation continues to fall

CPI inflation came out at 0.6% y/y in February, down from 0.7% in January and just below our forecast of 0.7%. It was mainly a smaller rise in rents than expected that pulled inflation down. Pricey apartment rents in Copenhagen and Aarhus do not therefore seem to be having much of an effect on rents in the rest of the country.

Exports of goods fell 0.3% in January, falling 0.8% over three months, which has to be seen as disappointing. Given the upswing in activity across most of the global economy, including key export markets, we would have expected a stronger appetite for Danish goods.

## Sweden – ‘goldilocks’ touch for a while yet

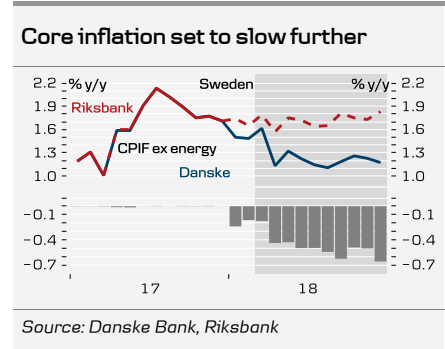
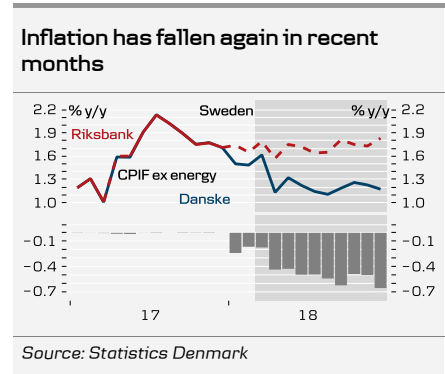
February CPIF and CPIF excluding energy were in line with market expectations but were again on the low side of the Riksbank’s projection despite it lowering its forecasts for 2018 as late as February. Of late, the Riksbank has repeatedly highlighted services prices as a concern, or more specifically that the year-on-year rate for this crucial price category has turned down. The background is that services prices are regarded as being more closely attached to resource utilisation in Sweden. Services price inflation peaked at 4% in July following a sharp rise in spring 2017. In January, services inflation fell to 2.6% (leading the Riksbank to sound the alarm) and now the figure has fallen further to 2.3%. In our minds, services price inflation will moderate further in coming months. In addition, despite the sharp rise in EUR/SEK, prices for imported goods and services are not moving anywhere on a year-on-year basis – probably because of the offsetting effects of a lower USD/SEK. The Riksbank was close to pushing planned rate hikes further into the future in February. We expect underlying March inflation yet again to undershoot the Riksbank’s forecast, which we believe is likely to convince it to postpone the first hike beyond 2018 at the April meeting.

We note that Prospera’s quarterly ‘broad’ inflation expectations survey was almost unchanged, if anything with a further decline in 1Y expectations.

The February HOX house price index was clearly weaker than we expected, with Stockholm flats showing a 0.6% m/m decline instead of the 1.5% m/m increase we expected. The decline was actually much more widespread, showing a decrease for all regions and property types except villas in Malmö. Our take is that if not even the front-running of the new amortisation requirement could push prices higher temporarily, it suggests prices will continue to decline as condo supply surges.

The February LFS report was very strong, showing a further fall in unemployment, strong growth in employment and record highs in participation and employment rates.

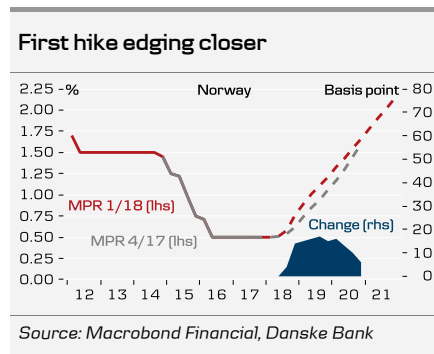
Currently, Sweden is performing as a ‘goldilocks’ economy, with relatively strong growth and cooling inflation.





## Norway – first hike in September

As expected, Norges Bank left interest rates alone at its meeting during the week but the new monetary policy report now signals a first rate hike in September. As we predicted, domestic growth and interest rates abroad pushed up the interest rate path from the December report, while lower wage growth and inflation and slightly higher money-market rates pulled the other way. Most interesting, perhaps, is that Norges Bank noted that, in isolation, the reduction in the inflation target from 2.5% to 2.0% spells slightly lower interest rates further ahead. This was not enough to cancel out the effects of global rates pulling in the other direction but it revised the rate path up slightly less for 2019-21 than we had expected. The new path signals just under two hikes a year in 2019-21, taking the bank’s key rate to around 2.25% at the end of the period. As the analysis in the monetary policy report is closely in line with our own, we have revised our own interest rate expectations and now predict a first hike to 0.75% at the September meeting.



## Latest research from Danske Bank

*16/3 FOMC Preview: Sticking to three rate hikes signal for 2018*

We expect the Fed to raise the target range by 25bp to 1.50-1.75%.

*15/3 Yield Outlook: Higher 10Y yields very much a 2019 story*

Monthly yield outlook

*15/3 Research: 10 areas where China could retaliate vs. US measures*

There is little doubt that China would retaliate against any protectionist measures directed at it by the US. In this report we highlight 10 areas where China could strike back.

## Macroeconomic forecast

### Macro forecast, Scandinavia

	Year	GDP <sup>1</sup>	Private cons. <sup>1</sup>	Public cons. <sup>1</sup>	Fixed inv. <sup>1</sup>	Stock build. <sup>2</sup>	Ex-ports <sup>1</sup>	Im-ports <sup>1</sup>	Infla-tion <sup>1</sup>	Unem-ploym. <sup>3</sup>	Public budget <sup>4</sup>	Public debt <sup>4</sup>	Current acc. <sup>4</sup>
Denmark	2017	2.1	1.5	1.1	2.5	0.1	4.6	4.1	1.1	4.3	0.0	36.0	8.0
	2018	2.0	2.0	0.7	5.5	-0.2	2.7	3.4	0.9	4.1	-0.3	35.1	7.7
	2019	1.9	2.5	0.5	4.3	0.0	2.6	3.6	1.4	4.0	-0.1	33.9	7.3
Sweden	2017	2.4	2.4	0.4	6.0	0.2	3.7	5.0	1.8	6.7	0.9	39.0	0.8
	2018	1.7	1.6	1.3	1.1	0.0	5.1	5.0	1.5	7.1	0.6	36.0	4.8
	2019	2.0	1.9	0.8	0.4	0.2	4.7	3.8	1.3	7.6	0.4	34.0	5.4
Norway	2017	1.8	2.3	2.0	3.5	-0.2	0.8	2.2	1.8	2.7	-	-	-
	2018	2.3	2.6	1.7	2.7	-0.1	2.7	1.4	1.9	2.4	-	-	-
	2019	2.2	2.3	1.9	2.5	0.0	2.2	3.0	2.0	2.3	-	-	-

### Macro forecast, Euroland

	Year	GDP <sup>1</sup>	Private cons. <sup>1</sup>	Public cons. <sup>1</sup>	Fixed inv. <sup>1</sup>	Stock build. <sup>2</sup>	Ex-ports <sup>1</sup>	Im-ports <sup>1</sup>	Infla-tion <sup>1</sup>	Unem-ploym. <sup>3</sup>	Public budget <sup>4</sup>	Public debt <sup>4</sup>	Current acc. <sup>4</sup>
Euro area	2017	2.5	1.7	1.2	3.1	-	5.3	4.3	1.5	9.1	-1.1	89.3	3.5
	2018	2.1	1.7	1.5	3.8	-	4.6	4.6	1.4	8.4	-0.9	87.2	3.0
	2019	1.9	1.9	1.3	4.2	-	3.4	4.4	1.3	8.0	-0.8	85.2	2.9
Germany	2017	2.5	2.1	1.6	3.9	-	5.3	5.6	1.7	3.8	0.9	64.8	7.8
	2018	2.2	1.8	2.3	3.4	-	5.0	6.0	1.5	3.5	1.0	61.2	7.5
	2019	2.0	2.3	2.2	4.5	-	3.1	4.8	1.5	3.3	1.0	57.9	7.2
Finland	2017	3.1	1.8	0.3	8.9	-	8.1	3.5	0.8	8.6	-1.6	62.0	0.0
	2018	2.3	2.0	0.4	4.5	-	4.0	4.5	1.2	8.0	-1.0	61.0	-0.2
	2019	1.9	1.5	0.2	3.5	-	4.0	3.5	1.4	7.7	-0.8	60.0	0.2

### Macro forecast, Global

	Year	GDP <sup>1</sup>	Private cons. <sup>1</sup>	Public cons. <sup>1</sup>	Fixed inv. <sup>1</sup>	Stock build. <sup>2</sup>	Ex-ports <sup>1</sup>	Im-ports <sup>1</sup>	Infla-tion <sup>1</sup>	Unem-ploym. <sup>3</sup>	Public budget <sup>4</sup>	Public debt <sup>4</sup>	Current acc. <sup>4</sup>
USA	2017	2.3	2.7	0.1	4.0	-0.1	3.4	3.9	2.1	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
	2019	2.1	1.9	0.4	4.9	0.0	3.1	3.0	2.1	3.8	-4.0	109.0	-3.1
China	2017	6.8	-	-	-	-	-	-	2.0	4.1	-3.7	47.6	1.4
	2018	6.3	-	-	-	-	-	-	2.3	4.3	-3.4	50.8	1.1
	2019	6.0	-	-	-	-	-	-	2.3	4.3	-3.4	53.9	1.2
UK	2017	1.7	1.8	0.6	3.9	-0.4	4.5	3.0	2.7	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
	2019	1.2	1.0	0.4	2.0	0.0	2.6	1.8	1.8	4.1	-1.8	87.4	-4.6

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	16-Mar	1.50	2.15	2.58	2.85	123.3	-	817.7
	+3m	2.00	2.32	2.60	3.05	123.0	-	837.4
	+6m	2.00	2.40	2.80	3.15	125.0	-	824.0
	+12m	2.25	2.85	3.05	3.35	128.0	-	789.1
EUR	16-Mar	0.00	-0.33	-0.15	1.01	-	123.3	1008.0
	+3m	0.00	-0.33	-0.05	1.20	-	123.0	1030.0
	+6m	0.00	-0.33	0.00	1.25	-	125.0	1030.0
	+12m	0.00	-0.33	0.20	1.60	-	128.0	1010.0
JPY	16-Mar	-0.10	-0.05	0.05	0.26	130.4	105.8	7.73
	+3m	-0.10	-	-	-	131.6	107.0	7.83
	+6m	-0.10	-	-	-	137.5	110.0	7.49
	+12m	-0.10	-	-	-	143.4	112.0	7.05
GBP	16-Mar	0.50	0.60	1.03	1.53	88.2	139.7	1142.5
	+3m	0.75	0.77	1.25	1.75	87.0	141.4	1183.9
	+6m	0.75	0.89	1.45	1.90	86.0	145.3	1197.7
	+12m	1.00	1.14	1.70	2.10	84.0	152.4	1202.4
CHF	16-Mar	-0.75	-0.74	-0.49	0.48	117.0	94.9	861.7
	+3m	-0.75	-	-	-	119.0	96.7	865.5
	+6m	-0.75	-	-	-	121.0	96.8	851.2
	+12m	-0.75	-	-	-	123.0	96.1	821.1
DKK	16-Mar	0.05	-0.30	-0.01	1.19	744.9	604.3	135.3
	+3m	0.05	-0.30	0.10	1.35	744.5	605.3	138.3
	+6m	0.05	-0.30	0.15	1.40	744.5	595.6	138.3
	+12m	0.05	-0.30	0.35	1.75	744.8	581.8	135.6
SEK	16-Mar	-0.50	-0.44	-0.17	1.26	1008.0	817.7	100.0
	+3m	-0.50	-0.45	-0.10	1.45	1030.0	837.4	-
	+6m	-0.50	-0.45	-0.05	1.50	1030.0	824.0	-
	+12m	-0.50	-0.45	0.05	1.60	1010.0	789.1	-
NOK	16-Mar	0.50	1.06	1.50	2.30	949.3	770.1	106.2
	+3m	0.50	0.90	1.55	2.50	940.0	764.2	109.6
	+6m	0.50	0.90	1.75	2.60	920.0	736.0	112.0
	+12m	0.75	1.15	1.95	2.95	910.0	710.9	111.0

Commodities											
	16-Mar	2018				2019				Average	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2018	2019
NYMEX WTI	58	58	58	60	60	60	60	61	61	58	61
ICE Brent	65	62	62	64	64	64	64	65	65	63	65

Source: Danske Bank

# Calendar

## Key Data and Events in Week 12

During the week				Period	Danske Bank	Consensus	Previous
<b>Monday, March 19, 2018</b>							
0:50	JPY	Exports	y/y (%)	Feb		0.0	0.1
0:50	JPY	Import	y/y (%)	Feb		0.2	0.1
0:50	JPY	Trade balance, s.a.	JPY bn	Feb		-90.8	373.3
2:30	CNY	Property prices	y/y				
8:00	NOK	Credit indicator (C2)	y/y	Jan		6.1%	6.3%
11:00	EUR	Trade balance	EUR bn	Jan		22.5	23.8
<b>Tuesday, March 20, 2018</b>							
-	SEK	Riksbank's Ohlsson speaks					
1:30	AUD	RBA March Meeting Minutes					
6:00	JPY	Leading economic index, final	Index	Jan			104.8
8:00	DKK	Consumer confidence	Net bal.	Mar	8.5	8.0	8.5
10:30	GBP	PPI - input	m/m y/y	Feb			0.7% 4.7%
10:30	GBP	CPI	m/m y/y	Feb	0.5% 2.7%	0.5% 2.8%	-0.5% 3.0%
10:30	GBP	CPI core	y/y	Feb	2.5%	2.5%	2.7%
11:00	DEM	ZEW current situation	Index	Mar		90.0	92.3
11:00	DEM	ZEW expectations	Index	Mar		13.0	17.8
16:00	EUR	Consumer confidence, preliminary	Net bal.	Mar		0.0	0.1
<b>Wednesday, March 21, 2018</b>							
-	JPY	Vernal Equinox Day					
8:00	DKK	Employment, s.a.		Jan			
8:00	NOK	Unemployment (LFS)	%	Jan	4.1%	4.1%	4.1%
10:30	GBP	Unemployment rate (3M)	%	Jan	4.4%	4.4%	4.4%
10:30	GBP	Average weekly earnings ex bonuses (3M)	m/m y/y	Jan	0.2% 2.6%		2.5%
13:30	USD	Current account	USD bn	4th quarter		-125	-100.6
15:00	USD	Existing home sales	m (m/m)	Feb		5.43	5.38 -0.032
15:30	USD	DOE U.S. crude oil inventories	K				5022
19:00	USD	FOMC meeting	%		1.75%	1.75%	1.5%
19:30	USD	Fed's Powell (voter, neutral) press conference					
21:00	NZD	Reserve Bank of New Zealand (cash rate decision)	%		1.75%	1.75%	1.75%

Source: Danske Bank

## Calendar (continued)

Thursday, March 22, 2018			Period	Danske Bank	Consensus	Previous
-	EUR	EU summit in Brussels				
-	SEK	Riksbank's Flodén speaks				
1:30	AUD	Employment change	1000	Feb	20	16
1:30	JPY	Nikkei Manufacturing PMI, preliminary	Index	Mar		54.1
8:45	FRF	Business confidence	Index	Mar		109.0
9:00	FRF	PMI manufacturing, preliminary	Index	Mar		55.9
9:00	FRF	PMI services, preliminary	Index	Mar		57.4
9:30	DEM	PMI manufacturing, preliminary	Index	Mar	59.7	60.6
9:30	DEM	PMI services, preliminary	Index	Mar	55.0	55.3
10:00	DEM	IFO - business climate	Index	Mar	114.7	115.4
10:00	DEM	IFO - current assessment	Index	Mar		125.7
10:00	DEM	IFO - expectations	Index	Mar		104.5
10:00	EUR	PMI manufacturing, preliminary	Index	Mar	57.6	58.2
10:00	EUR	PMI composite, preliminary	Index	Mar		46.8
10:00	EUR	PMI services, preliminary	Index	Mar	55.7	56.0
10:00	EUR	Current account	EUR bn	Jan		29.9
10:00	EUR	ECB Publishes Economic Bulletin				
10:30	GBP	Retail sales ex fuels	m/m y/y	Feb		0.1% 1.5%
13:00	GBP	BoE minutes				
13:00	GBP	BoE government bond purchases (APF)	GBP bn	Mar	435	435
13:00	GBP	BoE corporate bond purchases (CBPP)	GBP bn	Mar	10	10
13:00	GBP	BoE Bank rate	%		0.5%	0.5%
13:30	USD	Initial jobless claims	1000			
14:00	USD	FHFA house price index	m/m	Jan		0.3%
14:45	USD	Markit PMI manufacturing, preliminary	Index	Mar		55.5
15:45	USD	Markit PMI service, preliminary	Index	Mar	56.4	56.0
Friday, March 23, 2018			Period	Danske Bank	Consensus	Previous
-	EUR	EU summit in Brussels				
-	EUR	S&P may publish Spain's debt rating				
-	EUR	S&P may publish Belgium's debt rating				
0:30	JPY	CPI - national	y/y	Feb	1.5%	1.4%
0:30	JPY	CPI - national ex. fresh food	y/y	Feb	1.0%	0.9%
8:00	DKK	Retail sales	m/m y/y	Feb		-0.2% 1.6%
10:00	NOK	Unemployment (NAV)	%	Mar	2.5%	2.4%
11:30	RUB	Central Bank of Russia rate decision	%		7.25%	7.5%
13:30	USD	Core capital goods orders, preliminary	%	Feb		-0.3%
13:30	CAD	CPI	m/m y/y	Feb	... 2.0%	... 1.7%
13:30	CAD	Retail sales	m/m	Jan		1.3%
15:00	USD	New home sales	1000 (m/m)	Feb		620
15:30	USD	Fed's Kashkari (non-voter, dovish) speaks				593.0 (-7.8%)

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Source: Danske Bank

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