

Weekly Focus Sweden

Political uncertainty here to stay

Market movers ahead

- In **Norway**, Q2 GDP growth data is due out on Thursday. The print will reveal whether or not a slowdown has been under way in Norway.
- Next week, we get **preliminary PMIs** in Europe, the US and Japan.
- We do not expect any major new information from either the **FOMC** or **ECB meeting minutes**.
- **Donald Trump's 25% tariff rate** on an additional USD16bn worth of imported goods from China comes into effect on Thursday.

Global macro and market themes

- Theme 1: Brexit end-game in Q4.
- Theme 2: US-China trade war continues.
- Theme 3: US sanctions against Iran, Russia and Turkey.
- Theme 4: US midterm elections in November.
- Theme 5: Italy budget clashes with the EU.
- Theme 6: China is easing policy to offset slowdown and trade war uncertainties.

Focus

Conference call – Turkey's crisis and its global ramifications (sound file), 13 August.

Norges Bank - No news, signals rate hike in September, 16 August.

FX Forecast Update - Autumn events to send the Scandies apart, 16 August.

Yield Outlook - Turkey and Italy keep German/Scandi yields low for now, 14 August.

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Financial views

| Major indices | | | |
|---------------|--------|------|------|
| | 17-Aug | 3M | 12M |
| 10Yr EUR swap | 0.86 | 0.95 | 1.45 |
| EUR/USD | 114 | 113 | 125 |
| ICE Brent oil | 71 | 72 | 74 |

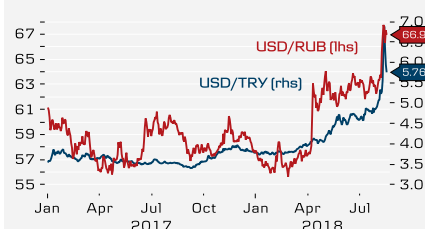
Source: Danske Bank

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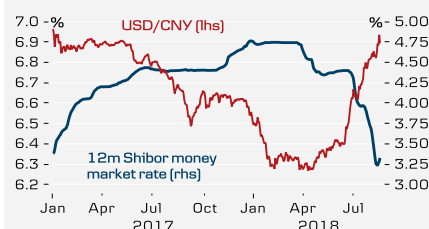
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US sanctions are weighing on TRY and RUB



Source: Bloomberg, Macrobond Financial

China has eased monetary policy



Source: Macrobond Financial

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Market movers

Global

- In the **US**, we have a quiet week ahead in terms of economic data releases. On Thursday, the Markit PMIs are due out, which will give us more information about the current growth momentum. On Friday, we get preliminary core capex orders and shipments.

On Wednesday, we get the FOMC minutes from the meeting earlier in August. As we believe the Fed is on track to deliver two more hikes this year, we are more interested in any discussions on how long to continue shrinking the balance sheet and the future monetary framework.

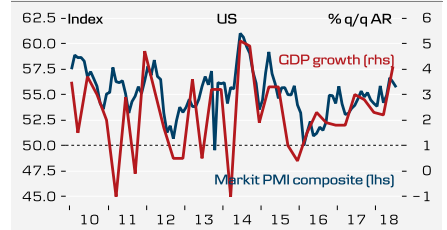
Note that the US's 25% tariff on USD16bn worth of goods imported from China comes into effect on Thursday.

- In the **euro area**, the key data release is the PMI figures due for release on Thursday. After reaching an all-time high of 60.6 in December 2017, manufacturing PMI fell for six consecutive months to 54.9 in June 2018. The July figure reported a small increase to 55.1 and we believe manufacturing PMI will stabilise around this level for now. This is supported by the rebound in August ZEW economic expectations and the trade deal between the EU and US in July has also diminished the immediate threat of tariff measures. Hence, we look for manufacturing PMI at 55.2 in the August print. Service PMI saw a decline in July to 54.2 after a rebound in June to 55.4 but we look for the Service PMI to rise back to 54.5 in August. However, we see some downside risk due to the potential spillover effects of the Turkish turmoil.

The ECB minutes from the meeting in July are also due for release on Thursday. The meeting in July was rather lacklustre regarding any news on the ECB's plans to unwind QE, its reinvestment policy and rate-hiking schedule, so we do not expect to see anything of great significance in the meeting minutes.

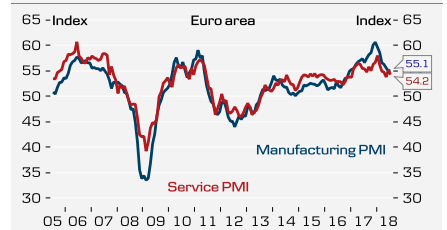
- In the **UK**, there are no market movers next week.
- In **Japan** next week, our focus will be on the inflation report (due 24 August). We expect headline CPI to increase to 1.0% y/y in July, from 0.7% y/y in June, driven mainly by the JPY and energy prices. The underlying picture remains sluggish though and we expect the nationwide CPI excluding fresh food and energy (the Bank of Japan's core CPI measure) to tick higher to 0.3% y/y in July, from 0.2% y/y in June. The week also brings the preliminary print for manufacturing PMI (23 August). Business sentiment generally has trended lower (from high levels) since Q1 this year, indicating a gradual cooling off in manufacturing (and the export sector).
- There are no market movers in **China** next week.

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



Source: IHS Markit, BEA, Macrobond Financial

PMIs expected to stabilise



Source: Macrobond Financial, Markit PMI

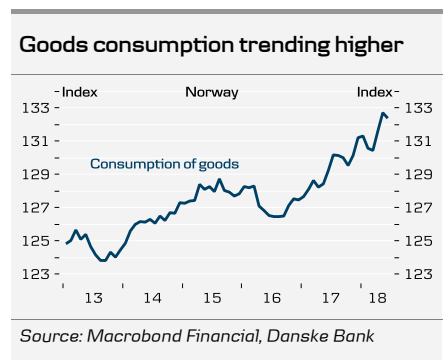
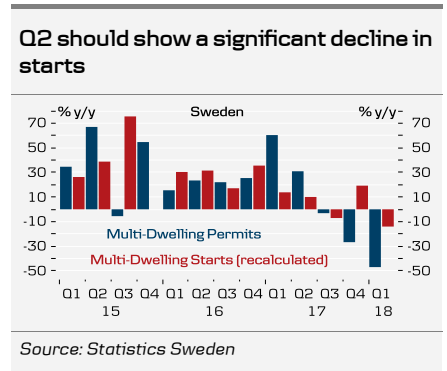
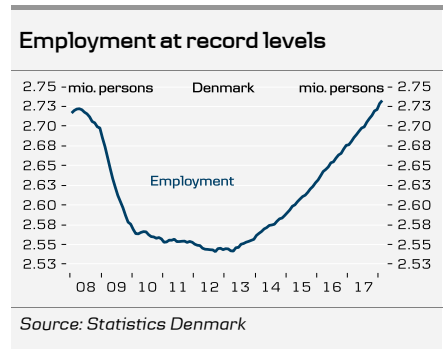
Scandi

- In **Denmark**, the coming week brings a variety of interesting news. Consumer confidence figures for August are scheduled for release on Thursday. Sentiment deteriorated slightly in July, after hitting its highest since early 2015 in June, but consumers are still very upbeat and we expect them to remain so in August. Therefore, we expect the indicator to stabilise around 9.5, more or less unchanged from July. Employment figures for June are set to be published on Tuesday and will show whether early summer brought continued strong job creation despite the recent sluggish growth estimates for Q2. July retail sales round off the week on Friday.

- Earlier this year, media coverage of the **Swedish** housing market was pretty intense but has been less so more recently. Maybe this reflects that prices appear to have stabilised. However, we think there are good economic reasons to continue monitoring incoming data on construction activity. Next week (20 August), SCB is due to release second-quarter data for building permits and housing starts.

The figures for the previous quarter showed a fall in multi-family dwelling starts of 14% y/y, adjusted for the normal upward revision due to under-reporting. We do not see a meaningful way to make a forecast for Q2 but there are at least some indications in developers' and construction companies earnings reports. Earnings reports from major residential developers suggest that both unit sales and production starts were down by approximately 50% compared with the second quarter of 2017. However, in most cases, production starts still appear to be outrunning sales slightly.

- Economic data in **Norway** have been mixed over the summer. GDP figures on Thursday should reveal whether or not a slowdown has been under way. This will greatly affect the signals Norges Bank sends at its interest rate meeting in September. Net exports look to have fallen in Q2, driven by lower export growth from mainland Norway. Retail sales, meanwhile, declined by more than expected in June, although strong April and May figures mean goods consumption should still make a solid contribution to GDP growth in Q2. Furthermore, consumption of services looks to have been very strong thanks to the unusually warm weather across much of the country. Manufacturing PMI has been much weaker than expected and actually dipped below the neutral 50 level in July. Nevertheless, the Q2 average remained above 55, which is marginally weaker than in Q1. Moreover, actual industrial production rose by close to 1% q/q in Q2 despite the disappointing June figures. Meanwhile, the Business Tendency Survey from Statistics Norway, which is a much broader index than PMI, increased to 9.2 in Q2, the highest level since Q4 10. As usual, we have used the unemployment figures as a cross-check for our forecasts. Gross unemployment fell by 1,800 in Q2, which clearly indicates that growth remains above trend. This reduces some of the downside risk, even though developments in the short-term figures have been mixed.



Market movers ahead

| Global movers | | | Event | Period | Danske | Consensus | Previous |
|---------------|--------|-------|-------|--|--------|-------------|----------|
| Wed | 22-Aug | 20:00 | USD | FOMC minutes | | | |
| Thurs | 23-Aug | 2:30 | JPY | Nikkei Manufacturing PMI, preliminary | Index | Aug | 52.3 |
| | | 10:00 | EUR | PMI manufacturing, preliminary | Index | Aug | 55.2 |
| | | 10:00 | EUR | PMI services, preliminary | Index | Aug | 54.5 |
| | | 14:00 | USD | 25% tariff on additional USD 16bn worth of imported goods from China comes into effect | | | |
| | | 15:45 | USD | Markit PMI manufacturing, preliminary | Index | Aug | 55.0 |
| | | 15:45 | USD | Markit PMI service, preliminary | Index | Aug | 56.0 |
| Fri | 24-Aug | 1:30 | JPY | CPI - national | y/y | Jul | 1.0% |
| | | 1:30 | JPY | CPI - national ex. fresh food | y/y | Jul | 0.9% |
| | | 14:30 | USD | Core capital goods orders, preliminary | % | Jul | 0.4% |
| | | 16:00 | USD | Fed's Powell (voter, neutral) speaks | | | 0.2% |
| Scandi movers | | | | | | | |
| Mon | 20-Aug | 9:30 | SEK | Housing starts | | 2nd quarter | |
| Thurs | 23-Aug | 8:00 | NOK | GDP (mainland) | q/q | 2nd quarter | 0.7% |
| | | | | | | | 0.6% |

Source: Bloomberg, Danske Bank

Strategy

Global macro themes in H2 18

What is going to drive markets in coming months?

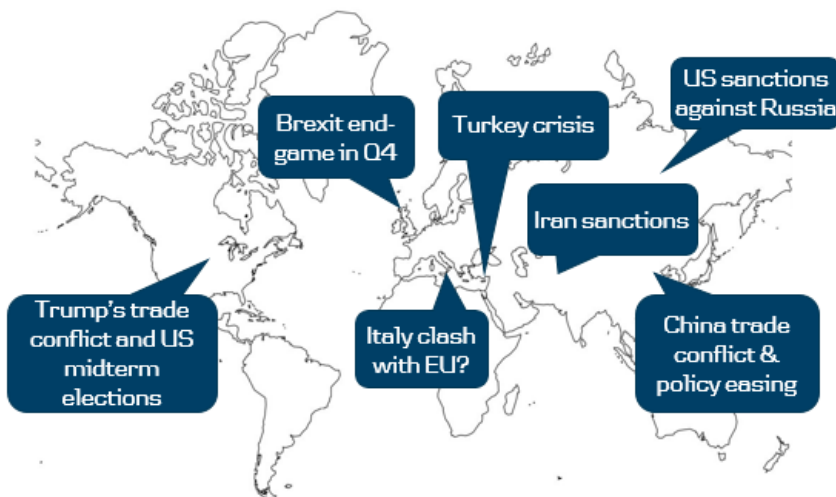
In this first, ordinary strategy piece after the summer holiday, we take a closer look at some of the global (political) macro themes, which we believe will shape markets and the economy in the second half of 2018, and how we expect them to play out. As there is plenty to talk about, this week’s strategy piece is longer than usual. As has been the case for a couple of years now, politics remain a hot topic so most of the themes are political, as the list in the box to the right also reveals.

It is not because we do not want to talk about the economy – quite the opposite, as we are first and foremost economists – but **we cannot get round the fact that politics create uncertainty, which affects both markets and the economy. That being said, the global expansion seems to continue.** The US economy is strong, with GDP growth above 2% q/q AR for five consecutive quarters now. US private consumption growth remains the main growth driver. In the euro area, economic data has weakened this year and growth slowed from 0.7% q/q on average in 2017 to 0.4% q/q in both Q1 and Q2 18. The good news is that we have seen early signs that European soft indicators are stabilising, suggesting that while growth is not as strong as previously, it is not going to slow further and will stay above potential GDP growth. This means that employment will continue to increase and unemployment continue to fall. China seems to be the weak spot at the moment. Growth was already slowing and now trade uncertainties are weighing on the economy too. We discuss this further in theme #6.

Six global macro themes

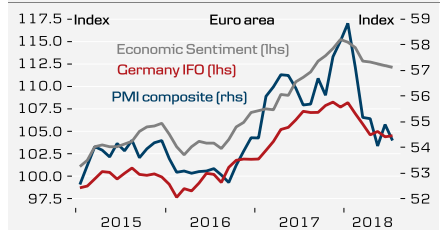
- Theme #1: Brexit end-game in Q4
- Theme #2: US-China trade war continues
- Theme #3: US sanctions against Iran, Russia and Turkey
- Theme #4: US mid-term elections in November
- Theme #5: Italy budget clashes with the EU
- Theme #6: China is easing policy to offset slowdown and trade war uncertainties

Global macro themes in second half of 2018



Source: Danske Bank

Early signs European soft indicators have bottomed out



Source: IFO, DG ECFIN, IHS Markit, Macrobond Financial

Theme #1: Brexit end-game in Q4

Get ready for the Brexit end-game, which takes place in Q4, as the EU and the UK must strike a deal ahead of the formal exit date on 29 March 2019, as both sides need time for ratification. The negotiations are complicated because there is no majority for anything in the UK. Roughly 50% want to remain within the EU while the 50% that want to leave the EU are divided between those who want a soft exit and a hard one. The Conservative Party conference from 30 September-3 October is a key event in this regard.

While we expect a lot of political noise, especially in the British media, ahead of the important EU summits in September, October and December, **we expect a deal to be reached eventually**. It is not unusual that negotiations look like they are nearly breaking down before a deal is reached very close to the deadline. **We still expect the most likely outcome to be a ‘decent Brexit’**, where we get a deal keeping the UK close to the EU, in particular on goods trading, although leaving the EU single market. That said, the likelihood of a ‘no deal Brexit’ has increased following the departure of prominent Brexiteers from the cabinet.

While GDP growth remains slightly above trend growth and the Bank of England has started a hiking cycle to cope with the tight labour market, **we still think the key driver for GBP is Brexit**. Until we get more clarification about what Brexit really means, it is difficult to see a much stronger GBP.

Theme #2: US-China trade war continues

In late July, we wrote a longer piece on the ongoing trade war between the US and China, where we argued that there is no deal in sight, at least this side of the US mid-term elections in November, see *US-China Trade: No deal in sight*, 27 July. **We still have a pessimistic view, as we think it is more likely than not that the trade war is escalating further**. Trump’s 25% tariffs on an additional USD16bn worth of imported goods from China comes into effect on Thursday and the public hearing on additional USD200bn ends on 5 September, whereupon Trump is likely to implement them. China has said repeatedly that it is going to retaliate against any protectionist measures taken against them but this does not frighten Trump, who has threatened to impose tariffs on all imported goods from China if it retaliates.

The key challenge is that China has little more to offer than it has done already in the deal between the countries in May, but Trump wants more concessions than he received the deal struck in May in order to remove the tariffs again. **The US and China have reportedly begun low-key discussions to find out whether there is breeding ground for a deal, but a deal still seems far away at this point**.

So far, the growth impact of the trade policy uncertainty in the US has been limited. Growth is strong and optimism among both consumers and businesses is high. We do not have many experiences of bigger trade wars in modern times, so while we expect the US expansion to continue, we will monitor confidence indicators closely, as there is a risk we could underestimate the impact on business confidence and hence investments. That said, a small survey from the Atlanta Fed shows that only a small share of US companies have changed their investment plans due to the tariffs, which reflects that the US is a closed economy dominated by the service sector. **This supports our view that while trade uncertainties may take the edge off growth, the expansion is set to continue**.

Theme #1: Brexit timeline

| Date | Event |
|-----------|--|
| 05-Sep | House of Commons return |
| 20-Sep | EU leaders meet in Austria to discuss Brexit |
| 30-Sep | Conservative Party conference begins |
| 03-Oct | Conservative Party conference ends |
| 18-Oct | EU summit begins (two-days meeting) |
| 13-Dec | EU summit begins (two-days meeting) |
| 30-Mar-19 | UK formally exits the EU and transition period starts |
| 01-Jan-21 | Transition period ends, new relationship becomes effective |

Source: Danske Bank

Theme #2: US-China trade war timeline

| Date | Event |
|---------|---|
| 23-Aug | 25% tariffs on USD16bn worth of goods imported from China come into force |
| 05-Sep | Final day for hearing comments on second round of tariffs (USD200bn worth of goods) |
| Mid Sep | Potential announcement of implementation of second round of US tariffs |
| October | Implementation of second round of US tariffs |
| 06-Nov | US midterm elections |

Source: Danske Bank

Theme #3: US sanctions against Iran, Turkey and Russia

US foreign politics remain a dominating market theme, not only with respect to the trade war with China but also due to other factors. (1) The US has pulled out of the Iran deal, (2) the US Congress is about to pass tough, new sanctions against Russia for its interference in the US elections and its activities in Syria and Ukraine and 3) the diplomatic crisis with Turkey over the imprisonment of a US priest.

With respect to Turkey, **President Erdogan has chosen the confrontation path**, which has led to a collapse in TRY. While we have seen TRY recover somewhat, we still think it is too early for the Turkish crisis to be over just yet, also because Turkey remains in a financially weak position and the fundamental and diplomatic issues remain unresolved, at least for now. The diplomatic crisis has also evolved into an economic crisis, as Trump has increased tariffs on Turkish goods, which Erdogan has retaliated by imposing tariffs on imported goods from the US. **We expect TRY to remain under pressure**, as long as there is no dialogue between Trump and Erdogan. Eventually, we expect the Turkish central bank to step in with a hike in September despite Erdogan's objections. For more, listen to our *Conference Call: Turkey's crisis and its global ramifications*, 13 August.

With respect to Russia, the **US Congress has introduced the so-called 'Bill from Hell', which, if it becomes law, will introduce harsh sanctions against Russia**. This together with the Turkey crisis has put RUB under pressure recently. If the bill becomes law and Russia retaliates, we estimate that USD/RUB could move to 72.00, while EUR/RUB could hit 83.6. The macro fundamentals in Russia are completely different from Turkey, as Russia continues to implement the budget rule, keeping the fiscal side steady and mitigating the fluctuating oil price effect. We expect the Bank of Russia to stay extremely cautious, responding to external uncertainty and global monetary tightening by keeping the key rate unchanged. Unlike Turkey, the Bank of Russia's independence remains solid and unquestionable. For more details, see *Flash Comment Russia: Warning shots of US sanctions "bill from hell"*, 8 August.

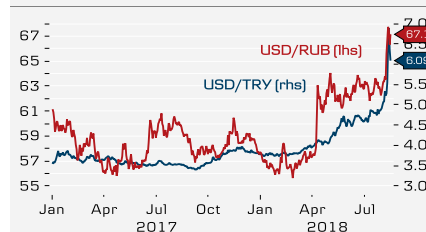
Both in Turkey and Russia, the geopolitical risk is a significant downside risk to our GDP growth forecasts.

Theme #4: US mid-term elections in November

The US mid-term elections are due to be held on Tuesday 6 November. All 435 seats in the House of Representatives are up for election while 35 seats in the US Senate are up for election. Based on Trump's approval ratings, opinion polls and historical experiences, **the most likely scenario is that the Republicans are going to lose one of the chambers, most likely the House**. It seems difficult for the Democrats to win the Senate, as 24 out of the 35 seats are held by the Democrats and some of them are from states that Trump won by a big margin. That said, **we cannot rule out the scenario where the Republicans win control over both chambers**, as the voter distribution in the different districts is in the favour of the Republicans.

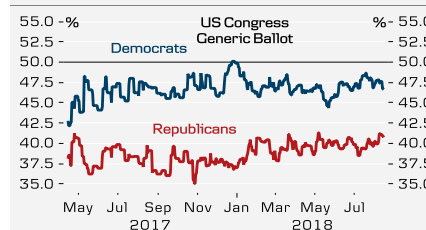
It is difficult to predict what the mid-term elections will mean in terms of US politics going forward. If Trump becomes a lame duck on domestic policy, it means he will have more time to focus on foreign policy, where the US president has more power. If the Republicans regain control over the Congress, Trump may focus more on domestic policy again.

Theme #3: US sanctions are weighing on TRY and RUB



Source: Bloomberg, Macrobond Financial

Theme #4: Democrats still lead in the polls



Source: FiveThirtyEight, Macrobond Financial

Theme #5: Italy budget could clash with the EU

Markets are still concerned about Italy and a potential budget clash with the EU looming in the fall. The 2019 budget debate in the Italian parliament has started, but the government has sent very mixed signals about whether it will play by the EU's (budget) rules or not. More clarity on the budget will come on 27 September when the Ministry of Finance will release its debt and deficit projections. Until then and as long as uncertainty prevails, markets will continue to be very headline driven. **Our base case remains that we are still heading towards a deal solution eventually, which to some extent will calm markets again, but we may see some tough negotiations during the fall, not least after Italy has to submit its 2019 budget to Brussels on 15 October.** The Italian regional elections beginning in late October only complicates things, as it will be seen as a first test for the new government's policies so far.

Note that all three of the major rating agencies are updating their rating on Italy this autumn (Fitch on 31 August, Moody's on 7 September and S&P on 26 October).

Theme #6: China is easing policy to offset slowdown and trade war uncertainties

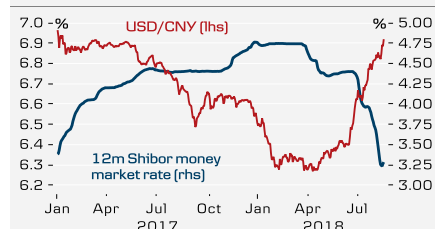
There is also much focus on the Chinese economy, as growth has slowed this year. Data on fixed investments, industrial production and retail sales was generally weak, although not pointing to a hard landing. It confirms a picture of a slowing Chinese economy, which explains why the People's Bank of China (PBoC) is easing both monetary and fiscal policies. USD/CNY has increased a lot and Chinese money markets rates have collapsed. **The trade war is hitting China at a point when the deleveraging campaign and softer exports were already dampening Chinese growth.** We expect growth to slow this year but that a hard landing will be avoided due to the renewed easing measures. In our view, **CNY will continue to be under downward pressure due to the PBoC easing diverging from continued tightening by the Fed.** In our new *FX Forecast Update*, we revised our USD/CNY forecast and now look for USD/CNY at 6.9 in 3M (previously 6.60) and 7.20 in 12M (previously 6.70).

Theme #5: Italy timeline

| Date | Event |
|-----------|---|
| 31-Aug | Fitch Italy rating update |
| 07-Sep | Moody's Italy rating update |
| 11-Sep | Budget debate continues in Italian parliament |
| 27-Sep | Ministry of Finance releases updated debt and deficit projections |
| 15-Oct | Italy to submit 2019 budget to Brussels |
| 20-Oct | Government presents draft budget bill in parliament |
| 26-Oct | S&P Italy rating update |
| 30-Nov | EU Commission judgment on Italian budget |
| 31-Dec | Budget bill approved by parliament |
| 30-Apr-19 | Extended deadline for budget approval |

Source: Danske Bank

Theme #6: China has eased monetary policy



Source: Macrobond Financial

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 EUR 2Y10Y steeper, USD 2Y10Y flatter US-euro spread - short-end to widen further Peripheral spreads - tightening (Italy special case) | Strong forward guidance from the ECB. Core inflation remains muted. Range trading for Bunds for the rest of 2018. Still higher in 2018- The ECB keeps a tight leash on the short end of the curve but 10Y higher as US has an impact. Mainly steeper in 2019. The spread in the short-end is set to widen further as the Fed continues to hike. ECB forward guidance, better fundamentals, an improved political picture (ex. latly) 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 EUR/GBP - gradually lower over the medium term USD/JPY - higher eventually EUR/SEK - volatile near term and sticky above 10 for long EUR/NOK - set to move lower but near-term headwinds Oil price - range bound rest of the year | In a sub-1.15 range in 0-3M as USD carry and political risks weigh but supported longer term by valuation and ECB 'normalisation'. Brexit uncertainty dominates now but GBP should strengthen on 6-12M on Brexit clarification and Bank of England rate hikes. US yields decisive near term with political uncertainty as a significant downside risk. Longer term higher on Fed-Bank of Japan divergence. Volatile near term and SEK-negatives remain due to lower growth, subdued inflation and too aggressive Riksbank pricing. Positive on NOK on valuation, relative growth, positioning, terms of trade, the global outlook and Norges Bank initiating a hiking cycle. OPEC increasing output and escalation of trade war has increased near-term downside risks. |

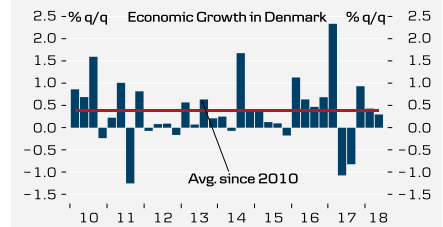
Source: Danske Bank

Scandi update

Denmark – sluggish growth in Q2

Output climbed just 0.3% in Q2 according to Statistics Denmark’s GDP indicator, which is somewhat below our forecast of 0.5% and is clearly on the low side and a little disappointing at this stage of the upswing. As the indicator is just a first estimate of GDP growth based on data from the production side, we do not yet know which components of demand pulled growth down. Statistics Denmark states that agriculture and mining and quarrying in particular fell back, while retail, services and, to a lesser extent, manufacturing pulled the other way. Therefore, it would seem that the hot summer has created problems for farmers and pulled growth down in Q2 and we expect this to hold GDP back for the rest of the year too. More forward-looking indicators, such as Dankort debit card transactions and export data, have also disappointed recently but we think there is scope for both exports and consumer spending to begin to improve in H2.

GDP indicator suggests only modest growth in Q2

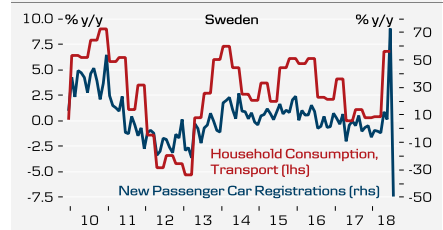


Source: Statistics Denmark

Sweden – housing prices roughly flat in July

July housing data from provider Maklarstatistik showed prices on tenant-owned flats declining by 0.2% m/m and prices on houses being unchanged in Sweden. In greater Stockholm, the corresponding numbers were unchanged. It seems price developments were very calm in Sweden in general but with some upside for flats outside Stockholm.

New car taxation boosted consumption



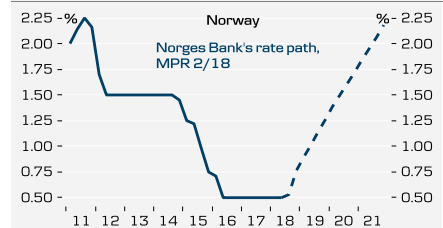
Source: Statistics Sweden, Bil Sweden

The June consumption indicator printed a healthy 4.3 % y/y in calendar-adjusted terms. This is largely the result of consumers front-running the new bonus-malus subsidy/tax for new cars, which came into play on 1 July. Consumption of transportation hence rose close to 19% y/y. We already know from car registrations, which plunged 50% in July, that this effect will reverse. The effect on Q2 GDP was an extra 0.5 percentage points. Hence, the registered 3.3% y/y was probably closer to 2.7% y/y if we take this into account.

Norway – no news from Norges Bank, rate hike still on for September

As expected, Norges Bank kept interest rates on hold at Thursday’s meeting. This was a so-called intermediate meeting, with no monetary policy report or press conference. However, Norges Bank did repeat the signals from its June meeting that everything is in place for a rate hike in September: *‘The Executive Board’s assessment is that the upturn in the Norwegian economy appears to be continuing broadly in line with the picture presented in June. Underlying inflation is below the inflation target but the driving forces indicate that it will rise further out. Overall, the outlook and the balance of risks do not appear to have changed substantially since the June Report.’* Furthermore, Norges Bank noted that while global uncertainty has increased, forward rates continue to indicate that international interest rates will gradually increase. We still expect Norges Bank to hike interest rates in September.

Interest rate path from June indicates September hike



Source: Macrobond, Norges Bank

Latest research from Danske Bank

17/8 Research Euro area: How vulnerable is Europe to the Turkish havoc?

In light of the Turkish turmoil, we take a closer look at EU-Turkey ties in this document, focusing especially on the financial, economic and political links.

16/8 Norges Bank - No news, signals rate hike in September

As expected, Norges Bank left the sight deposit rate unchanged at 0.50% this morning. This was an 'intermediate' meeting, i.e. there was no monetary policy report or press conference, just a press release. As expected, the press release revealed little news from the board.

16/8 FX Forecast Update - Autumn events to send the Scandies apart

Danske Bank's FX forecasts.

14/8 Yield Outlook - Turkey and Italy keep German/Scandi yields low for now

Danske Bank's rates forecasts.

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 | 0.8 | 1.9 | 4.0 | -0.2 | 35.1 | 6.5 |
| | 2019 | 1.8 | 2.4 | 0.5 | 1.5 | 2.7 | 2.4 | 1.4 | 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 | 2.9 | 5.5 | 4.2 | 1.5 | 1.6 | 9.1 | -0.9 | 86.7 | 3.5 |
| | 2018 | 2.0 | 1.6 | 1.2 | 2.6 | 3.3 | 2.9 | 1.7 | 2.0 | 8.4 | -0.7 | 86.0 | 3.4 |
| | 2019 | 1.7 | 1.9 | 2.1 | 1.8 | 3.1 | 3.8 | 1.4 | 2.3 | 8.0 | -0.6 | 85.5 | 3.4 |
| Germany | 2017 | 2.5 | 2.0 | 1.5 | 4.0 | 5.3 | 5.6 | 1.7 | 2.6 | 3.8 | 1.3 | 64.1 | 8.0 |
| | 2018 | 2.0 | 1.4 | 0.9 | 4.0 | 3.3 | 3.2 | 1.7 | 2.8 | 3.4 | 1.2 | 60.2 | 7.9 |
| | 2019 | 1.9 | 2.3 | 2.2 | 3.2 | 3.7 | 5.3 | 1.6 | 3.0 | 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 | 87.7 | -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 vs SEK |
|-----|--------|---------------|------------------|-----------------|------------------|-----------------|-----------------|-----------------|
| USD | 17-Aug | 2.00 | 2.31 | 2.82 | 2.93 | 113.9 | - | 918.9 |
| | +3m | 2.00 | 2.45 | 2.80 | 3.05 | 116.0 | - | 896.6 |
| | +6m | 2.25 | 2.67 | 3.00 | 3.15 | 120.0 | - | 875.0 |
| | +12m | 2.75 | 2.97 | 3.30 | 3.35 | 125.0 | - | 816.0 |
| EUR | 17-Aug | 0.00 | -0.32 | -0.16 | 0.86 | - | 113.9 | 1046.5 |
| | +3m | 0.00 | -0.33 | -0.15 | 0.95 | - | 116.0 | 1040.0 |
| | +6m | 0.00 | -0.33 | 0.00 | 1.05 | - | 120.0 | 1050.0 |
| | +12m | 0.00 | -0.33 | 0.10 | 1.45 | - | 125.0 | 1020.0 |
| JPY | 17-Aug | -0.10 | -0.03 | 0.05 | 0.32 | 126.1 | 110.7 | 8.30 |
| | +3m | -0.10 | - | - | - | 129.9 | 112.0 | 8.00 |
| | +6m | -0.10 | - | - | - | 136.8 | 114.0 | 7.68 |
| | +12m | -0.10 | - | - | - | 142.5 | 114.0 | 7.16 |
| GBP | 17-Aug | 0.75 | 0.80 | 1.07 | 1.50 | 89.5 | 127.2 | 1169.0 |
| | +3m | 0.75 | 0.82 | 1.15 | 1.70 | 86.5 | 134.1 | 1202.3 |
| | +6m | 0.75 | 0.82 | 1.45 | 1.90 | 84.0 | 142.9 | 1250.0 |
| | +12m | 1.00 | 1.07 | 1.70 | 2.15 | 83.0 | 150.6 | 1228.9 |
| CHF | 17-Aug | -0.75 | -0.73 | -0.54 | 0.40 | 113.4 | 99.6 | 922.5 |
| | +3m | -0.75 | - | - | - | 116.0 | 100.0 | 896.6 |
| | +6m | -0.75 | - | - | - | 119.0 | 99.2 | 882.4 |
| | +12m | -0.75 | - | - | - | 122.0 | 97.6 | 836.1 |
| DKK | 17-Aug | 0.05 | -0.30 | -0.03 | 0.99 | 745.7 | 654.8 | 140.3 |
| | +3m | 0.05 | -0.30 | -0.05 | 1.10 | 745.3 | 642.5 | 139.6 |
| | +6m | 0.05 | -0.30 | 0.10 | 1.20 | 745.3 | 621.0 | 140.9 |
| | +12m | 0.05 | -0.30 | 0.20 | 1.60 | 744.8 | 595.8 | 137.0 |
| SEK | 17-Aug | -0.50 | -0.37 | -0.14 | 1.12 | 1046.5 | 918.9 | 100.0 |
| | +3m | -0.50 | -0.45 | -0.20 | 1.05 | 1040.0 | 896.6 | - |
| | +6m | -0.50 | -0.40 | -0.15 | 1.25 | 1050.0 | 875.0 | - |
| | +12m | -0.50 | -0.40 | -0.10 | 1.55 | 1020.0 | 816.0 | - |
| NOK | 17-Aug | 0.50 | 1.02 | 1.44 | 2.14 | 964.8 | 847.2 | 108.5 |
| | +3m | 0.50 | 1.15 | 1.55 | 2.40 | 920.0 | 793.1 | 113.0 |
| | +6m | 0.75 | 1.30 | 1.70 | 2.55 | 920.0 | 766.7 | 114.1 |
| | +12m | 1.00 | 1.50 | 1.90 | 2.75 | 910.0 | 728.0 | 112.1 |

Commodities

| | 03-Aug | 2018 | | | | 2019 | | | | Average | |
|-----------|--------|------|----|----|----|------|----|----|----|---------|------|
| | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | 2018 | 2019 |
| NYMEX WTI | 66 | 63 | 68 | 68 | 68 | 69 | 69 | 70 | 70 | 67 | 70 |
| ICE Brent | 71 | 67 | 75 | 72 | 72 | 72 | 72 | 74 | 74 | 72 | 73 |

Source: Danske Bank

Calendar

Key Data and Events in Week 34

| During the week | | | | | Period | Danske Bank | Consensus | Previous |
|-----------------------------------|-----|---|------------|-------------|-----------|-------------|-----------|---------------|
| Monday, August 20, 2018 | | | | | | | | |
| 9:30 | SEK | Housing starts | | 2nd quarter | | | | |
| 9:30 | SEK | Building permits | | 2nd quarter | | | | |
| 9:30 | SEK | Capacity utilization, industry | % | 2nd quarter | | | | 90.6% |
| Tuesday, August 21, 2018 | | | | | | | | |
| 3:30 | AUD | RBA August Meeting Minutes | | | | | | |
| 8:00 | DKK | Employment, s.a. | | Jun | | | | |
| 14:00 | HUF | Central Bank of Hungary rate decision | % | | 0.90% | 0.90% | | 0.90% |
| Wednesday, August 22, 2018 | | | | | | | | |
| 14:30 | CAD | Retail sales | m/m | Jun | | | | 2.0% |
| 16:00 | USD | Existing home sales | m (m/m) | Jul | | 5.45 | | 5.38 -0.006 |
| 16:30 | USD | DOE U.S. crude oil inventories | K | | | | | 6805 |
| 20:00 | USD | FOMC minutes | | | | | | |
| Thursday, August 23, 2018 | | | | | | | | |
| 2:30 | JPY | Nikkei Manufacturing PMI, preliminary | Index | Aug | | | | 52.3 |
| 7:00 | JPY | Leading economic index, final | Index | Jun | | | | 105.2 |
| 8:00 | NOK | GDP (total) | q/q | 2nd quarter | | | 0.6% | 0.6% |
| 8:00 | NOK | GDP (mainland) | q/q | 2nd quarter | 0.7% | 0.6% | | 0.6% |
| 8:00 | DKK | Consumer confidence | Net bal. | Aug | 9.5 | | | 9.7 |
| 8:45 | FRF | Business confidence | Index | Aug | | 107.0 | | 106.0 |
| 9:00 | FRF | PMI manufacturing, preliminary | Index | Aug | | 53.4 | | 53.3 |
| 9:00 | FRF | PMI services, preliminary | Index | Aug | | 55.1 | | 54.9 |
| 9:30 | SEK | Unemployment (n.s.a. s.a.) | % | Jul | 5.7% 6.2% | 5.8% ... | | 7.2% 6.3% |
| 9:30 | DEM | PMI manufacturing, preliminary | Index | Aug | | 56.5 | | 56.9 |
| 9:30 | DEM | PMI services, preliminary | Index | Aug | | 54.3 | | 54.1 |
| 10:00 | EUR | PMI manufacturing, preliminary | Index | Aug | 55.2 | 55.2 | | 55.1 |
| 10:00 | EUR | PMI composite, preliminary | Index | Aug | | 54.5 | | 54.3 |
| 10:00 | EUR | PMI services, preliminary | Index | Aug | 54.5 | 54.4 | | 54.2 |
| 13:30 | EUR | ECB Minutes | | | | | | |
| 14:00 | USD | 25% tariff on additional USD16bn worth of imported goods from China comes into effect | | | | | | |
| 14:30 | USD | Initial jobless claims | 1000 | | | | | |
| 15:00 | USD | FHFA house price index | m/m | Jun | | | | 0.2% |
| 15:45 | USD | Markit PMI manufacturing, preliminary | Index | Aug | | 55.0 | | 55.3 |
| 15:45 | USD | Markit PMI service, preliminary | Index | Aug | | 56.0 | | 56.0 |
| 16:00 | EUR | Consumer confidence | Net bal. | Aug | | -0.7 | | -0.6 |
| 16:00 | USD | New home sales | 1000 (m/m) | Jul | | 650 | | 631.0 (-5.3%) |
| Friday, August 24, 2018 | | | | | | | | |
| 1:30 | JPY | CPI - national | y/y | Jul | 1.0% | 1.0% | | 0.7% |
| 1:30 | JPY | CPI - national ex. fresh food | y/y | Jul | | 0.9% | | 0.8% |
| 8:00 | DKK | Retail sales | m/m y/y | Jul | | | | 0.0% 3.1% |
| 8:00 | NOK | Unemployment (LFS) | % | Jun | | 3.8% | | 3.8% |
| 8:00 | DEM | GDP, final | q/q y/y | 2nd quarter | | 0.5% 2.0% | | 0.5% 2.0% |
| 8:00 | DEM | Private consumption | q/q | 2nd quarter | | 0.5% | | 0.4% |
| 8:00 | DEM | Government consumption | q/q | 2nd quarter | | 0.6% | | -0.5% |
| 8:00 | DEM | Gross fixed investments | q/q | 2nd quarter | | 1.0% | | 1.7% |
| 9:30 | SEK | PPI | m m y/y | Jul | | | | 0.8% 8.0% |
| 14:30 | USD | Core capital goods orders, preliminary | % | Jul | | 0.4% | | 0.2% |
| 16:00 | USD | Fed's Powell (voter, neutral) speaks | | | | | | |

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Source: Danske Bank

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