

Weekly Focus Sweden

ECB's QE again in focus at Jackson Hole

Market Movers ahead

- Next week's key event is the Jackson Hole symposium where ECB president Mario Draghi is among the speakers for the first time in three years. In 2014, he hinted at QE and now the focus is on tapering signals. Fed members should not reveal anything dramatic.
- Data wise, a number of survey indicators for August will give additional insight into the strength of the global economy at the beginning of H2. The figures due for release include the US and euro area PMIs, German ifo expectations as well as ZEW expectations and consumer confidence in the euro area.
- In Scandi markets focus will be on Norwegian GDP growth in Q2 and the oil investment survey for Q3, Swedish labour market data as well as Danish employment, retail sales and consumer confidence.

Global macro and market themes

- We stress that risks to our newly updated yield forecasts are that the drivers we see for higher yields in 2018 materialise much earlier than we forecast. This is especially the case for the US fixed income market.
- First of all, our business cycle model, MacroScope, is predicting that the US economy will re-accelerate in the coming months. This is contrary to market consensus.
- Secondly, we are in a situation where the market is positioned for lower yields. When the market is caught wrong-footed it often leads to exaggerated moves.
- Thirdly, the market has flattened the US money market curve and has only priced a 40% probability of a new rate hike. We think the market underestimates the risk of a December rate hike.

Focus

- *Significant Challenges for Italy: All you need to know about key issues*

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Financial views

Major indices

	18-Aug	3M	12M
10yr EUR swap	0.83	0.85	1.15
EUR/USD	118	117	122
ICE Brent oil	52	53	61
	18-Aug	6M	12-24M
S&P500	2438	5-10%	10-15%

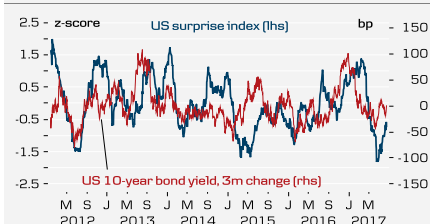
Source: Danske Bank

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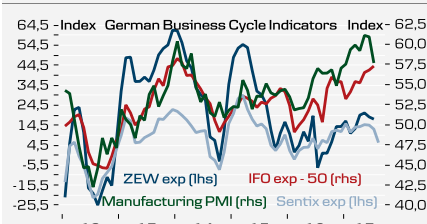
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US surprise index to rise and lift yields



Source: Macrobond Financial

Many survey indicators due for release



Source: Macrobond Financial, Danske Bank

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Market movers

Global

- In the **US**, the **Markit PMIs** for both manufacturing and service are due for release. In July, manufacturing PMI took a large jump to 53.3, up from 52.0 in June, ending a five-month streak of declines. We expect the August figure to remain around the 53.3 level. Service PMIs have shown a rising trend over the past four months, climbing from 52.8 in March to 54.7 in July. We expect the August figure to continue upwards to 55.0.

A key event for markets next week is the annual **Jackson Hole Symposium**, with speeches by central bank governors, academics and financial market participants. This year's title is 'Fostering a Dynamic Global Economy'. The programme is not public yet but we know ECB President Mario Draghi will be among the speakers (see below). With regard to Fed signals, we do not expect anything dramatic. This week's minutes from the latest FOMC meeting confirmed that the Fed will make an announcement on balance sheet reduction relatively soon. Any signals at Jackson Hole are likely to mirror comments earlier this week by Vice-President Bill Dudley (voting, dove), who is at the centre of decision making by the Board. He said, 'I would be in favour of another rate hike this year' if the economy holds up. On the balance sheet reduction, he said, 'In the last FOMC statement, we said that we expected this to happen relatively soon. So, I expect it to happen relatively soon.' The signals are generally in line with our view that the Fed will make an announcement on the balance sheet reduction in September and make another rate hike in December.

Core capex goods orders for July are due on Friday. In June, monthly growth was 0.0%, following 0.8% growth in May. We expect no significant movement in the August figure.

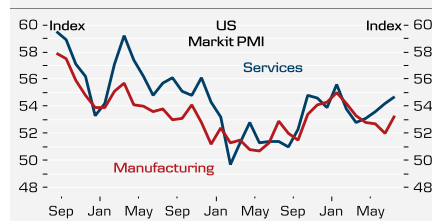
- In the **euro area**, the first release of interest is the **German ZEW expectation** due for release on Tuesday. In May, the ZEW expectation reached 20.6, the highest level since August 2015, but it has since slid down to 17.5 in July. While the IFO expectations continue upwards, the latest German services and manufacturing PMI have shown declines in both current activity and leading indicators. Together with the appreciating euro, we are likely to see further downward pressure on the ZEW, which we expect to report 16.1 in August.

On Wednesday, the **PMI** figures are due for release. After a 10-month streak of rising manufacturing PMI in the euro area, we saw a decline from 57.4 in June, to 56.6 in July. We saw declines in both activity and the leading order-inventory indicator. The appreciating euro is also likely to become a headwind to export orders, so we expect manufacturing PMI to fall to 56.2. The services PMI remained at 55.4 between June and July but has also started to show some exhaustion since April. While we expect services PMI to show a small decline to 55.2, we emphasise that PMIs remain at very strong levels, still pointing towards solid growth in Q3.

Wednesday also brings euro area **consumer confidence**. In July, consumer confidence saw a small fall to -1.7, from -1.3 in June, which was its highest level since 2001. Despite the unemployment rate continue to decline, we expect consumer confidence to remain roughly stable around the current high level at -1.8 in August.

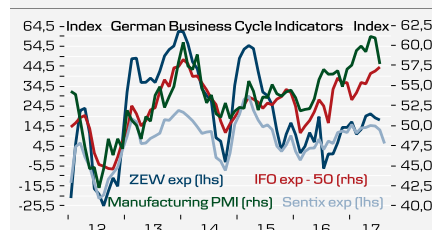
The **Jackson Hole Symposium** begins on Thursday. For the euro area, this is a key event to follow, especially as Draghi is among the speakers. The strong growth momentum, the diminishing fear of deflation and Draghi's tendency to turn hawkish in the presence of other central bankers argues for Draghi coming out with a hawkish tone. However, as underlying price pressure is still subdued and the euro has strengthened significantly, there are arguments in favour of a dovish speech.

PMIs expected to remain around current levels



Source: Markit PMI

German IFO and ZEW set to decline



Source: ZEW, IFO, Sentix, Danske Bank

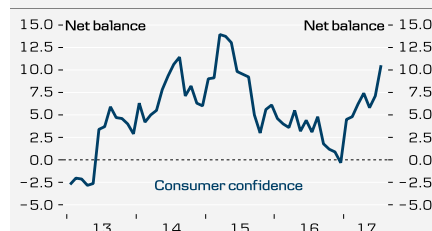
On Friday, we get German ifo expectations. The ifo expectation continued to rise to 107.3 in July, contrary to declines shown across other survey indicators. However, in August we believe the ifo expectation will see a decline to 106.7, in line with declines in PMIs.

- In the **UK**, the calendar is thin in terms of data releases of interest. We are looking forward to receiving the second GDP estimate for Q2, due for release on Thursday. The first estimate showed sluggish quarterly growth of 0.3%, driven primarily by the service sector, while construction and manufacturing dragged. However, there is speculation that the second estimate will revise the figure upwards, as we also observed sluggish growth of 0.2% in Q1 and the Bank of England had expected a figure of 0.4%. In the second estimate, we also get data on the expenditure components and it will be interesting to see whether private consumption growth continues to remain low and investments in Q2 saw high growth (1.2% in Q1).
- There are no key movers in **China** next week. Developments in the North Korea crisis will probably continue to lurk in the background but, as stated before, we see a very small probability of a military conflict. Donald Trump's right-wing adviser Steve Bannon basically ruled out a military solution in a surprising *interview* with a left-wing publication this week.

Scandi

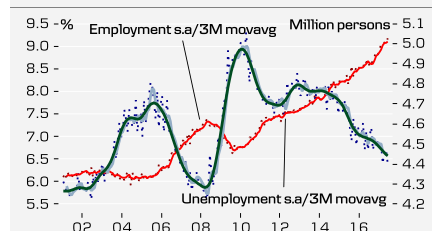
- In **Denmark**, Wednesday brings consumer confidence data for August. Sentiment has generally been upward bound so far in 2017, climbing in July to its highest since May 2015. However, given the big increase in July, we expect the indicator to fall back slightly in August to 9.0. Tuesday sees the release of retail sales for July. Consumer finances are currently enjoying strong support from rising employment, low interest rates, rising property prices and rising real wages, so there should be scope for consumers to continue loosening the purse strings. Statistics Denmark is due to publish employment data for June on Monday.
- **Swedish** July labour market data are due for release on Thursday. Unemployment is following a slow but steady downward trend (we expect seasonally adjusted unemployment to come in at 6.5%). Labour conditions are strong and are likely to remain so over the near future. There are growing discussions about labour shortages. So may it be but, at the same time, employment keeps rising at a steady pace of some 2% y/y month after month. If bottlenecks become really serious, we would expect to see a slowdown in employment growth – but this has not happened so far. PPI data are due out on Friday.
- In **Norway**, economic growth seems to be accelerating further. We expect GDP figures for Q2 to confirm this and we expect them to show some growth rotation, with private consumption and investment making larger contributions and government demand taking a step back. This would be good news and mean that growth is becoming more self-sustaining and less dependent on a helping hand from fiscal policy. Figures for the consumption of goods point to growth in private consumption of well over 1% q/q and higher growth in business lending could be a sign that investment activity is on the up. Overall, it would appear that domestic demand increased by around 1%, while the surge in imports of goods should pull GDP the other way. However, the ever-faster decline in unemployment suggests growth has been solid and so we estimate that mainland GDP climbed 0.6% q/q in Q2. However, take the import data at face value and there is plenty of downside risk in this forecast.

Consumer confidence on the up in 2017



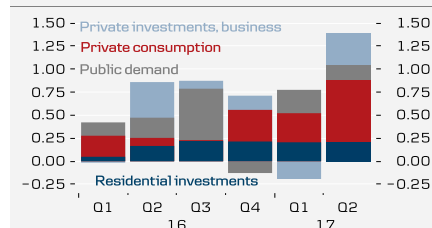
Source: Statistics Denmark

Swedish labour market tightens



Source: Macrobond Financial

More self-sustaining growth



Source: Macrobond Financial, Danske Bank

We expect the Q3 oil investment survey to make very interesting reading given how oil prices have fallen since the previous survey. As the oil companies operating in the Norwegian sector have been working hard on cost cutting and have squeezed breakeven prices right down, we expect a return to the usual pattern of rising investment estimates over the course of the year, as more projects are reported. Therefore, we tentatively predict an increase in the industry's estimate from NOK154.4bn to NOK156.0bn in 2017 and from NOK144.0bn to NOK150.0bn in 2018. In this case, the survey would indicate a somewhat smaller decrease in oil investment this year than last time around and an increase in investment in 2018 for the first time in four years.

Market movers ahead

Global movers				Event			Period	Danske	Consensus	Previous	
During the week		Thu 24 - 28	USD	Jackson Hole Policy Symposium							
Tue	22-Aug	11:00	DEM	ZEW expectations			Index	Aug	16.1	15.0	17.5
Wed	23-Aug	9:30	DEM	PMI manufacturing, preliminary			Index	Aug	57.5	57.8	58.1
		9:30	DEM	PMI services, preliminary			Index	Aug	53.1	53.3	53.1
		10:00	EUR	PMI composite, preliminary			Index	Aug	55.4	55.4	55.7
		15:45	USD	Markit PMI manufacturing, preliminary			Index	Aug	53.3	53.4	53.3
		16:00	USD	New home sales			1000 (m/m)	Jul		610	610.0 (0.8%)
Thurs	24-Aug	-	USD	Jackson Hole Policy Symposium							
		2:30	JPY	Nikkei Manufacturing PMI, preliminary			Index	Aug			52.1
Fri	25-Aug	-	USD	Jackson Hole Policy Symposium							
		1:30	JPY	CPI - national			y/y	Jul		0.4%	0.4%
		10:00	DEM	IFO - business climate			Index	Aug	115.5	115.5	116.0
		14:30	USD	Core capital goods orders, preliminary			%	Jul		0.3%	0.0%
Scandimovers											
During the week											
Thurs	24-Aug	8:00	NOK	GDP (mainland)			q/q	2nd quarter	0.6%		0.6%

Source: Bloomberg, Danske Bank Markets

Global Macro and Market Themes

Risk is building of higher US yields

Jackson Hole symposium takes centre stage

For the next couple of months we expect the ECB and Fed to set the tone in the global fixed income market given that a range of important policy meetings are coming up.

The ECB will have to decide if the economic recovery that delivered positive growth for the 17th quarter in a row is strong enough to allow for a slower pace of QE purchases or even an end to the purchases when the programme runs out at end-December. Or if the sudden appreciation of the euro that has shaved tenths off the already modest 2018/2019 inflation forecasts means that fulfilment of the inflation target has become even more difficult to reach for the ECB.

The Fed will have to decide when to implement the announced reduction of the SOMA portfolio (quantitative tightening) and importantly decide whether the rate hikes will continue in light of the tight labour market or rather if it is time to announce a pause given the quantitative tightening and ongoing low US inflation data.

Therefore the market will scrutinise any central bank comments from the upcoming Jackson Hole symposium and especially whether Draghi and Yellen will unveil their plans for the autumn. That said, Reuters this week reported from “ECB sources” that Draghi will not deliver a “policy message” at Jackson Hole this year. But who knows, the market has been surprised before despite what anonymous “ECB sources” apparently have said to various media.

Risk is growing of a US-led fixed income sell-off

This week we published our monthly *Yield Outlook*. Basically we argue that 10Y bond yields in Germany, Scandinavia and the US will remain in a close range around the current level for the rest of 2017 though with small upward pressure. However, in 2018, the picture looks set to change. We think the ECB will have started tapering, the Fed will be on course to deliver further rate hikes and very little is priced into the US curve.

However, we stress that risks to our forecasts are that the drivers we see for higher yields in 2018 materialise much earlier than we forecast.

The ECB might put more weight on the better economic data and argue that an extension of the QE programme is unnecessary. The ‘lack’ of eligible bonds might also force the bank to end the programme earlier than we expect. If the programme is not extended or scaled back quickly in 2018, it will tend to steepen the yield curve. It is also worth keeping an eye on Sweden. Higher inflation and an already high ownership share by the Riksbank make it unlikely that the Swedish QE programme will be extended into 2018.

In respect of the US market, the risk of a fixed income sell-off this autumn might be even bigger. First of all our business cycle model, *Macroscope*, is predicting that the US economy will re-accelerate in the coming months. This is contrary to market consensus, where forecasters - according to Bloomberg - in general expect a modest moderation in growth in Q3 and Q4 compared to Q2. According to the *Macroscope* model, the acceleration will move the US economy into the so-called ‘Blue’ quadrant (accelerating growth) that historically has been associated with higher yields and negative returns for US Treasuries (see chart 1). If we see an acceleration in the economy, we should also expect the US Surprise index to move higher and drag yields along with it (see chart 3).

Key points

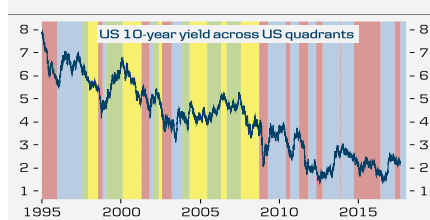
- We stress that risks to our newly updated yield forecasts are that the drivers we see for higher yields in 2018 materialise much earlier than we forecast. This is especially the case for the US fixed income market.
- First of all, our business cycle model, *Macroscope*, is predicting that the US economy will re-accelerate in the coming months. This is contrary to market consensus.
- Secondly, we are in a situation where the market is positioned for lower yields. When the market is caught wrong-footed it often leads to exaggerated moves.
- Thirdly, the market has flattened the US money market curve and has only priced a 40% probability of a new rate hike this. We think the market underestimates the risk of a December rate hike.
- The 5y point of the US curve is most exposed.

Secondly, we are in a situation where the market has dramatically changed its positioning from being 'stretched short' US 10Y treasury to being 'stretched long' US 10Y treasuries according to the CFTC/IMM data (see chart 2). Hence, the market might be caught on the wrong foot if we see the predicted growth acceleration and it pushes yields higher. When the market is caught wrong-footed it often leads to exaggerated movements. For more see *IMM Positioning Update*, 14 August.

Finally, we should not forget about the Fed. We still forecast that the Fed will make an announcement on quantitative tightening at the next meeting in September and hike for the third time this year in December. This is a view that is increasingly at odds with market pricing especially after the June FOMC minutes showed that the FOMC seems to be more concerned about the inflation outlook than previously expected. But given our MacroScope prediction for US growth, we believe the Fed will look through the low inflation and continue to focus on the tight labour market. In that respect it should be noted that the market is only pricing around a 40% probability of a December 2017 hike. An acceleration in the economy should make a December hike more likely.

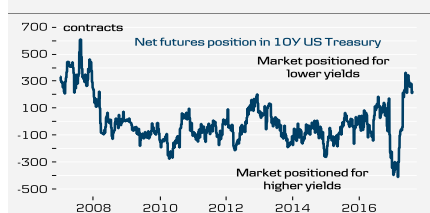
An important question is which part of the US yield curve would be exposed if we see a more pronounced bond sell-off. We argue that the 5Y segment in particular could be sensitive to a re-pricing of Fed expectations, whereas longer maturities should see continued support from foreign investors looking for a yield pickup that is not found in either European or Japanese fixed income markets. Hence, if we see a US-led fixed income sell-off this autumn we should expect a flatter 5y10y curve in the US. The effect on Europe could be different. The ECB is still keeping a relatively tight leash on the 5Y point, whereas the 10Y point could be pushed higher.

Chart 1: US economy moving into the 'blue' fixed income bearish business cycle quadrant



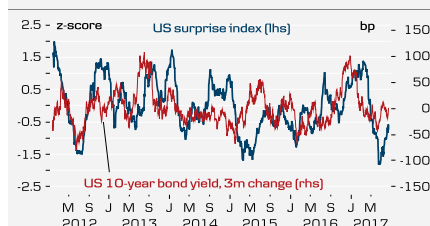
Source: Danske Bank

Chart 2: Market is long US treasuries (positioned for lower yields)



Source: CFTC, Macrobond Financial

Chart 3: US surprise indices to rise and drag yields higher



Source: Danske Bank, Macrobond Financial

Global market views

Asset class	Main factors
Equities Our short-term trading opportunity stance (0-1 month): Buy on dips Our strategy stance (3-6M): Neutral on equities vs cash	We keep our short-term buy-on dips stance, as we think the fundamental factors (the global cycle and earnings) are still strong. So far, history shows that geopolitical shocks are not able to offset the equity markets as long as the cycle is strong. On a longer-term basis, we remain neutral on equities, as we have been since April this year.
Bond market German/Scandi yields – set to stay in recent range for now, higher on 12M horizon EURGBP – downside risks postponed as BOE stays put EU curve – 2Y 10Y set to steepen when long yields rise again US-euro spread set to widen marginally Peripheral spreads – tightening but still some factors to watch	Inflation to stay subdued despite decent growth. Stronger euro keeps euro area inflation outlook down. ECB to normalise gradually only, due to lack of wage pressure and stronger euro. If the situation in North Korea escalates it could add renewed downward pressure on global yields. The ECB is keeping 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 earlier than we forecast. The Fed's QT programme (balance sheet reduction) is to happen at a very gradual pace and impact on the Treasury market should be benign. Yet market pricing for Fed hikes is very dovish and yields should edge higher on 12M horizon. The market is positioned for lower US yields and vulnerable if there is a FI sell-off. Economic recovery, ECB stimuli, better fundamentals, particularly in Portugal and Spain and an improved political picture are expected to lead to further tightening despite the recent strong moves. Italy is the big risk factor. But very expensive to be short Italian bonds.
FX EURUSD – up momentum wearing off but set for 120 and beyond in 2018 EURGBP – downside risks postponed as BOE stays put USDJPY – gradually higher longer term EURSEK – consolidation near term, gradually lower further out EURNOK – range-bound near term, then gradually lower	EURUSD has turned for good as ECB has reluctantly allowed 'reverse gravity' to kick in but upward momentum set to wear off near term. EURUSD at 122 in 12M. Relative growth and monetary policy support a higher EURGBP near-term. Cross to stay above 0.90 in 3M, downward move on Brexit clarification, valuation further out. A BoJ set to be sidelined in central-bank exit talk should cap JPY upside for an extended period. Fed and ECB eagerness to tighten to support EURJPY and USDJPY near term. Gradually lower medium-term on fundamentals and valuation longer term but near-term further SEK potential limited by the Riksbank. Headwinds near term due to low oil prices but longer term NOK should rebound on valuation, growth and real-rate differentials normalising.
Commodities Oil price – range-bound, downside risk Metal prices – range-bound, downside risk Gold price – range-bound Agricultural – stabilisation	Rebound recently on better China data and robust global growth. Still range bound and now in middle of range. Underlying support from consolidation in mining industry, better China data lately. China to slow again after National Congress adding downside risk in the medium term. Tug of war between geopolitical uncertainty and stronger USD. Dry weather created supply concerns but prices have come down again lately.

Source: Danske Bank

Scandi update

Denmark – Further solid economic growth

According to Statistics Denmark's GDP indicator, output increased by 0.5% in Q2. As this is only a first estimate calculated from the production side, we do not yet know which components of demand are behind the growth. Recent data would, however, suggest that growth has to some extent been boosted by a rebound in world trade, which has put extra wind in the sails of the shipping sector and pushed up Danish service exports.

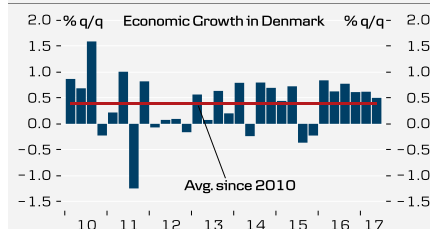
Sweden – Inflation data stands out

One thing stands out in terms of Swedish data: inflation. Not only did it breach 2% (CPIF 2.4% y/y) in July for the first time in many years, but also, we – and we guess most others – have consistently underestimated inflation this year. Why? We have investigated this in detail. Deviations from forecasts have in fact been negligible in most “traditional” CPI components such as food, clothing, household goods and energy. But the forecast errors have been significant in air fares and package holidays in particular. The latter has behaved in a way never seen before. Prices have risen by no less than 42% YTD - that's twice as much as last year. Package holidays and air fares account for the lion's share of the accumulated forecast error. Other parts of the CPI basket have behaved quite normally with no clear upward trend for the most part. Unfortunately, we are genuinely uncertain what to make of this. The reason is that part of the odd development is due to a new calculation method by the SCB. But to what extent the new method explains the explosion in package holidays is unclear. Typically prices correct downwards in August by roughly 50% of the accumulated increase in May-July. If this is still the case, we will see a big drop next month. But it could also be that the new method results in a permanent shift in the price level, in which case inflation figures will be held up for the next 12 months. We simply don't know. We suspect though that the Riksbank is looking at this with the same kind of uncertainty as we are and our guess is that it will “look through” the data – at least for now.

Norway – No election risk

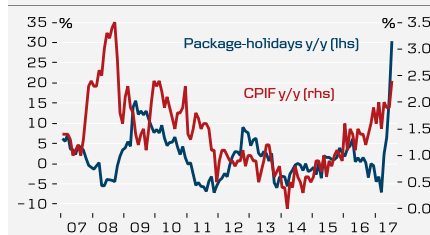
News has been thin on the ground in Norway during the week, but excitement is mounting ahead of the parliamentary elections on 11 September. The latest polls suggest that the vote will be closer than many anticipated, and one shows for the first time that the ruling coalition could retain a majority. However, given the relatively broad consensus on key economic issues, we would stress that there is little reason to expect any market reaction whatever the outcome. The fiscal rule capping the non-oil deficit at the expected return on the oil fund will increasingly be a limiting factor for the spending of oil revenue – and so fiscal stimulation – in the coming years regardless of the election results.

GDP indicator suggests solid growth in Q2



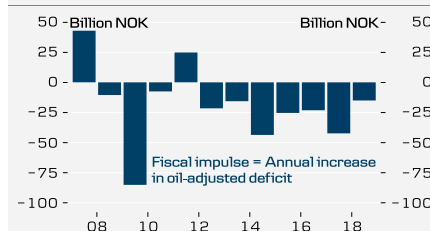
Source: Statistics Denmark

Package holidays boost Swedish Inflation



Source: Macrobond Financial

Fiscal rule will limit spending of oil revenue



Source: Macrobond Financial, Danske Bank

Latest research from Danske Bank Markets

16/8 FX Forecast Update: Taking a breather before next leg of 'central-bank exit pricing'

Monthly FX Forecast Update

15/8 Yield Outlook: Range trading in yields to continue for now, but asymmetric risks are increasingly skewed to upside

Monthly yield outlook

14/8 Significant Challenges for Italy: All you need to know about key issues

Italy is frequently mentioned as the potential biggest risk factor in the euro area. Given the current market complacency about Italian risks, we discuss the potential triggers for renewed market focus on Italy.

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	1.7	2.1	0.4	5.6	-0.2	2.5	3.5	0.2	4.2	-0.9	37.8	7.9
	2017	1.9	2.2	0.9	0.2	0.3	3.7	2.4	1.1	4.3	-1.1	36.4	8.3
	2018	1.7	2.1	0.8	4.1	-0.2	2.4	3.0	1.2	4.3	-0.3	35.0	8.1
Sweden	2016	3.2	2.4	2.9	5.3	0.0	3.5	3.8	1.0	6.9	0.9	41.3	5.1
	2017	1.8	1.5	0.3	4.6	-0.4	3.2	2.8	1.8	6.7	0.3	39.5	5.3
	2018	1.9	1.4	1.6	3.1	0.0	3.3	3.3	1.4	6.6	0.0	39.3	5.2
Norway	2016	0.9	1.6	2.3	0.3	0.3	-0.5	0.8	3.6	3.0	-	-	-
	2017	2.0	2.0	2.0	2.6	-0.2	1.4	2.6	2.2	2.7	-	-	-
	2018	2.3	2.3	2.0	2.8	-0.1	1.2	2.0	2.0	2.6	-	-	-

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	1.8	4.1	-	3.3	4.6	0.2	10.0	-1.5	89.2	3.5
	2017	2.0	1.5	1.1	2.4	-	4.3	3.9	1.5	9.1	-1.4	90.4	3.0
	2018	1.5	1.3	1.1	3.8	-	3.3	4.0	1.1	8.5	-1.4	89.2	2.9
Germany	2016	1.8	1.9	4.0	2.0	-	2.5	3.7	0.4	4.2	0.8	68.3	8.5
	2017	2.0	1.3	1.6	3.2	-	4.3	4.3	1.6	3.8	0.5	65.8	8.0
	2018	1.7	1.4	1.9	4.3	-	3.7	4.9	1.4	3.8	0.3	63.3	7.6
France	2016	1.1	2.1	1.2	2.7	-	1.9	4.2	0.3	10.0	-3.4	96.0	-2.3
	2017	1.6	1.1	1.2	2.9	-	3.4	3.7	1.1	9.9	-3.0	96.4	-2.4
	2018	1.2	1.0	1.1	2.9	-	3.5	3.5	1.2	9.7	-3.2	96.7	-2.5
Italy	2016	1.0	1.3	0.6	3.1	-	2.6	3.1	-0.1	11.7	-2.4	132.6	2.6
	2017	1.4	1.2	1.0	2.1	-	4.1	5.8	1.3	11.2	-2.1	133.1	1.9
	2018	1.3	1.0	0.7	3.7	-	3.4	3.6	1.0	10.8	-2.2	132.5	1.7
Spain	2016	3.2	3.2	0.8	3.1	-	4.4	3.3	-0.3	19.6	-4.5	99.4	1.9
	2017	3.0	2.2	0.8	4.2	-	8.1	6.6	2.0	17.3	-3.1	99.2	1.6
	2018	2.0	2.0	1.2	4.1	-	3.7	4.9	1.0	16.0	-2.6	98.5	1.6
Finland	2016	1.4	2.0	0.5	5.2	-	0.5	2.5	0.4	8.8	-1.9	63.6	-1.1
	2017	2.8	2.0	-0.2	6.0	-	7.0	5.0	0.9	8.4	-2.1	64.0	-1.1
	2018	1.5	1.0	0.2	2.5	-	3.0	2.5	1.0	7.9	-1.8	64.2	-0.9

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	1.6	2.7	0.8	0.7	-0.4	0.4	1.1	1.3	4.9	-3.2	106	-2.6
	2017	2.0	2.2	0.1	5.0	-0.1	2.8	4.0	2.2	4.5	-2.9	106	-2.7
	2018	1.9	1.7	1.0	4.5	0.0	2.4	3.0	1.9	4.3	-2.7	107	-3.3
China	2016	6.7	-	-	-	-	-	-	2.0	4.1	-3.0	46.3	2.4
	2017	6.3	-	-	-	-	-	-	2.0	4.3	-3.3	49.9	2.1
	2018	6.0	-	-	-	-	-	-	2.0	4.3	-3.0	53.3	1.5
UK	2016	1.8	2.8	0.8	0.5	0.2	1.8	2.8	0.7	4.9	-3.0	89.3	-5.0
	2017	1.6	1.9	0.8	1.9	-0.1	3.0	2.9	2.5	4.6	-2.8	87.7	-4.9
	2018	1.2	1.2	0.4	1.2	0.0	2.8	2.0	2.4	4.8	-1.9	87.7	-3.3

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	18-Aug	1.25	1.32	1.58	2.15	117.4	-	811.8
	+3m	1.25	1.50	1.65	2.30	117.0	-	803.4
	+6m	1.50	1.62	1.85	2.45	118.0	-	788.1
	+12m	1.75	1.87	2.25	2.70	122.0	-	754.1
EUR	18-Aug	0.00	-0.33	-0.18	0.83	-	117.4	952.9
	+3m	0.00	-0.33	-0.10	0.95	-	117.0	940.0
	+6m	0.00	-0.33	-0.05	1.05	-	118.0	930.0
	+12m	0.00	-0.33	0.00	1.20	-	122.0	920.0
JPY	18-Aug	-0.10	-0.04	0.02	0.22	128.2	109.2	7.43
	+3m	-0.10	-	-	-	133.4	114.0	7.05
	+6m	-0.10	-	-	-	136.9	116.0	6.79
	+12m	-0.10	-	-	-	141.5	116.0	6.50
GBP	18-Aug	0.25	0.28	0.55	1.17	91.1	128.9	1045.9
	+3m	0.25	0.27	0.55	1.25	91.0	128.6	1033.0
	+6m	0.25	0.27	0.55	1.35	90.0	131.1	1033.3
	+12m	0.25	0.27	0.60	1.55	88.0	138.6	1045.5
CHF	18-Aug	-0.75	-0.73	-0.56	0.24	112.9	96.2	843.8
	+3m	-0.75	-	-	-	114.0	97.4	824.6
	+6m	-0.75	-	-	-	116.0	98.3	801.7
	+12m	-0.75	-	-	-	120.0	98.4	766.7
DKK	18-Aug	0.05	-0.27	-0.01	1.03	743.6	633.5	128.1
	+3m	0.05	-0.27	0.10	1.15	744.0	635.9	126.3
	+6m	0.05	-0.27	0.15	1.25	744.0	630.5	125.0
	+12m	0.05	-0.26	0.20	1.40	744.0	609.8	123.7
SEK	18-Aug	-0.50	-0.41	-0.18	1.20	952.9	811.8	100.0
	+3m	-0.50	-0.45	-0.35	1.30	940.0	803.4	-
	+6m	-0.50	-0.45	-0.30	1.50	930.0	788.1	-
	+12m	-0.50	-0.45	-0.15	1.70	920.0	754.1	-
NOK	18-Aug	0.50	0.81	1.10	1.91	934.0	795.6	102.0
	+3m	0.50	0.80	1.10	1.95	930.0	794.9	101.1
	+6m	0.50	0.80	1.15	2.05	910.0	771.2	102.2
	+12m	0.50	0.80	1.25	2.30	900.0	737.7	102.2

Equity markets

		Risiko profil 3 mdr.	Pris trend 3 mdr.	Pris trend 12 mdr.	Regionale rekommendationer
Regional					
USA (USD)	Growth boost: fisc. expansion, tax cuts, infl./growth-impulse	Medium	5-10%	10-15%	Underweight
Emerging markets (local ccy)	Hurt by stronger USD and increased protectionism	Medium	-5-0%	-5-+5%	Overweight
Japan (JPY)	Valuation and currency support	Medium	5-10%	10-15%	Neutral
Euro area (EUR)	Stronger EPS and GDP momentum	Medium	0-5%	0-5%	Overweight
UK (GBP)	Currency support, stronger infl. exp. off-set Brexit negativity	Medium	3-8%	5-10%	Neutral
Nordics (local ccy)	Currency support on earnings, continued domestic demand	Medium	3-8%	5-10%	Overweight

Commodities

	18-Aug	2017				2018				Average	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2017	2018
NYMEX WTI	47	52	48	48	52	55	57	58	59	50	57
ICE Brent	51	55	51	50	54	56	57	58	59	52	58
Copper	6,490	5,855	5,670	5,700	5,800	5,900	6,000	6,050	6,100	5,756	6,013
Zinc	3,062	2,789	2,580	2,500	2,400	2,300	2,300	2,300	2,300	2,567	2,300
Nickel	10,725	10,321	9,230	9,500	10,000	10,500	10,750	11,000	11,000	9,763	10,813
Aluminium	2,076	1,858	1,910	1,800	1,800	1,800	1,800	1,810	1,820	1,842	1,808
Gold	1,288	1,219	1,260	1,200	1,210	1,220	1,230	1,240	1,250	1,222	1,235
Matif Mill Wheat	157	170	168	168	170	169	167	168	168	169	168
Rapeseed	368	415	375	390	410	410	400	400	390	397	400
CBOT Wheat	417	429	435	475	500	510	520	530	540	460	525
CBOT Soybeans	932	1,021	944	1,000	1,000	1,025	1,025	1,050	1,050	991	1,038

Source: Danske Bank Markets

Calendar

Key Data and Events in Week 34

During the week			Period	Danske Bank	Consensus	Previous
Thu 24 - 28	USD	Jackson Hole Policy Symposium				
Monday, August 21, 2017			Period	Danske Bank	Consensus	Previous
9:00	DKK	Employment (monthly)	1.000 m/m	Jun		2.693 0.1
Tuesday, August 22, 2017			Period	Danske Bank	Consensus	Previous
6:30	NOK	Consumer confidence	Net. bal.	3rd quarter		11.1
9:00	DKK	Retail sales	m/m y/y	Jul		-0.1% 0.5%
11:00	DEM	ZEW current situation	Index	Aug	85.5	85.0
11:00	DEM	ZEW expectations	Index	Aug	16.1	15.0
14:00	HUF	Central Bank of Hungary rate decision	%		0.9%	0.9%
14:30	CAD	Retail sales	m/m	Jun	0.3%	0.6%
15:00	USD	FHFA house price index	m/m	Jun		0.4%
Wednesday, August 23, 2017			Period	Danske Bank	Consensus	Previous
8:00	NOK	Unemployment (LFS)	%	Jun		4.3%
9:00	EUR	ECB's Draghi speaks in Germany				
9:00	DKK	Consumer confidence	Net. bal.	Aug	9.0	10.5
9:00	FRF	PMI manufacturing, preliminary	Index	Aug	54.4	54.5
9:00	FRF	PMI services, preliminary	Index	Aug	55.6	55.9
9:30	DEM	PMI manufacturing, preliminary	Index	Aug	57.5	57.8
9:30	DEM	PMI services, preliminary	Index	Aug	53.1	53.3
10:00	EUR	PMI manufacturing, preliminary	Index	Aug	56.2	56.3
10:00	EUR	PMI composite, preliminary	Index	Aug	55.4	55.4
10:00	EUR	PMI services, preliminary	Index	Aug	55.2	55.4
15:05	USD	Fed's Kaplan (voter, dovish) speaks				
15:45	USD	Markit PMI manufacturing, preliminary	Index	Aug	53.3	53.4
15:45	USD	Markit PMI service, preliminary	Index	Aug	55.0	54.9
16:00	EUR	Consumer confidence	Net. bal.	Aug	-1.8	-1.8
16:00	USD	New home sales	1000 (m/m)	Jul	610	610.0 (0.8%)
16:30	USD	DOE U.S. crude oil inventories	K			-8945
Thursday, August 24, 2017			Period	Danske Bank	Consensus	Previous
-	USD	Jackson Hole Policy Symposium				
2:30	JPY	Nikkei Manufacturing PMI, preliminary	Index	Aug		52.1
7:00	JPY	Leading economic index, final	Index	Jun		106.3
8:00	NOK	GDP (total)	q/q	2nd quarter		0.2%
8:00	NOK	Oil investment survey		3rd quarter		
8:00	NOK	GDP (mainland)	q/q	2nd quarter	0.6%	0.6%
8:45	FRF	Business confidence	Index	Aug	108.0	108.0
9:00	ESP	GDP, final	q/q y/y	2nd quarter	0.9% 3.1%	0.9% 3.1%
9:30	SEK	Unemployment (n.s.a. s.a.)	%	Jul	5.8% 6.5%	7.4% 6.4%
10:30	GBP	GDP, 2nd estimate	q/q y/y	2nd quarter	0.3% 1.7%	0.3% 1.7%
10:30	GBP	Index of services	m/m 3m/3m	Jun	0.2% 0.5%	0.2% 0.4%
14:30	USD	Initial jobless claims	1000			
16:00	USD	Existing home sales	m (m/m)	Jul	5.56	5.52 -0.018
Friday, August 25, 2017			Period	Danske Bank	Consensus	Previous
-	USD	Jackson Hole Policy Symposium				
1:30	JPY	CPI - national ex. fresh food	y/y	Jul	0.5%	0.4%
1:30	JPY	CPI - national	y/y	Jul	0.4%	0.4%
8:00	DEM	GDP, final	q/q y/y	2nd quarter	0.6% 2.1%	0.6% 2.1%
8:00	DEM	Private consumption	q/q	2nd quarter	0.7%	0.3%
8:00	DEM	Government consumption	q/q	2nd quarter	0.6%	0.4%
8:00	DEM	Gross fixed investments	q/q	2nd quarter	1.1%	1.7%
8:45	FRF	Consumer confidence	Index	Aug	104.0	104.0
9:30	SEK	PPI	m/m y/y	Jul		-0.8% 4.8%
9:30	SEK	Household lending	y/y	Jul	7.2%	7.1%
10:00	DEM	IFO - business climate	Index	Aug	115.5	115.5
10:00	DEM	IFO - current assessment	Index	Aug	125.0	125.4
10:00	DEM	IFO - expectations	Index	Aug	106.7	106.8
14:30	USD	Core capital goods orders, preliminary	%	Jul	0.3%	0.0%

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Source: Danske Bank Markets

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