

# Weekly Focus Sweden

## US and euro area inflation set to decline

### Market movers ahead

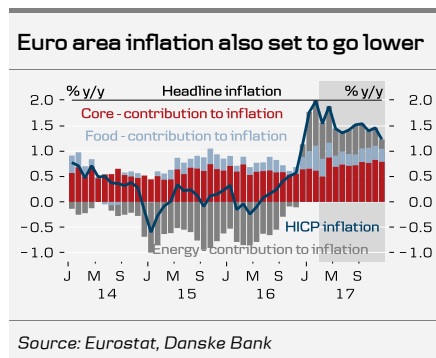
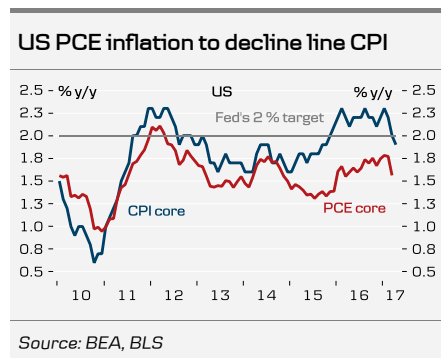
- In the US, the FOMC minutes from the May meeting may give more insight into what the members think about the timing of the next Fed hike and quantitative tightening. The week after, both PCE inflation and the jobs report for May are due for release.
- In the euro area, focus is on whether the PMI figures and ifo expectations will follow the weakness observed in the US and Chinese PMIs. May inflation figures are also due to be released.
- In the UK, focus remains on politics ahead of the general election on 8 June.
- In Scandinavia, there are a number of data releases including GDP growth figures for Q1 in Denmark and Sweden, Danish FX reserves and the Norwegian oil investment survey.
- OPEC meets on Thursday to decide on an extension of oil supply cuts. We expect cuts to be extended by six to nine months.

### Global macro and market themes

- Volatility in markets is set to increase as the cycle turns lower.
- The USD's fall and EUR's strength is as expected given the divergence in economic performance. We remain medium-term EUR/USD bullish.
- We expect fixed income markets to range-trade with a possible slight bullish bias near term on the lower cycle and falling inflation expectations.
- We have turned near-term bearish on equities, as we are in the interim period between two reflation periods.

### Focus

- *Riksbank Comment: Much ado about nothing, 16 May.*



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### Financial views

Major indices			
	19-May	3M	12M
10yr EUR swap	0.80	0.85	1.30
EUR/USD	111	109	116
ICE Brent oil	53	53	61
	19-May	6M	12-24M
S&P500	2366	5-10%	10-15%

Source: Danske Bank

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# Market movers

## Global

- Note that the G7 summit is taking place 26-27 May.
- In the US, we get the FOMC minutes from the May meeting on Wednesday, which may give us more insight into what the FOMC members think about the timing of the next Fed hike and not least quantitative tightening (however, notice that the meeting took place before Friday's weak CPI inflation print). Also on Wednesday we get the preliminary Markit PMIs for May. Looking at the PMI services index, we think it has been on the weak side in recent months and expect it to increase from 53.1 in April to 54.0 in May. We expect that the manufacturing index fell slightly to 52.3 in May from 52.8. On Friday look out for the preliminary core capex data for April, which will give us the first indication of whether the rebound in capital investments in Q1 has continued in Q2.

We also have several important data releases in the week after the next, which are going to be important for the Fed's decision on whether to hike again next month or not. On Tuesday 30 May we get the PCE inflation data for April. After the weak CPI report last Friday we estimate that PCE core rose 0.1% m/m, implying a core inflation rate of just 1.4% y/y (a decline from 1.6% in March). The jobs report for May due on Friday 2 June is also going to be important to the Fed's decision on whether to hike in June or not, not least after the unemployment rate fell to 4.4% in April, the lowest in a decade. It is too early to provide a forecast as we are missing some data before we can make a qualified estimate.

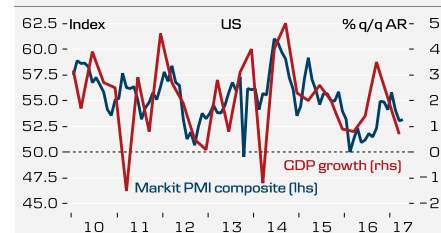
- In the **euro area**, the German IFO expectations are due for release on Tuesday. The IFO expectations saw a small decline in April to 105.2 from 105.7 in March. Similar to the PMIs, the German business expectations are likely to be dragged down by declining business cycle indicators in US and China but could gain tailwind from the outcome of the French election. We therefore expect IFO expectations to see a small decline to 104.9 in line with the minor slowdown in the PMI figures.

The PMI figures are released on Wednesday. The focus will be on whether the euro-area PMI figures can continue upwards, opposing the weakness in manufacturing PMIs we have observed in recent months in the US and China. We expect a minor slowdown in the euro area PMIs, but note that the figures should remain at a high level and still show continued expansion.

The M3 money supply growth and loan growth figures are released on Monday 29 May. M3 growth continues to hover around the 5% level showing 5.3% growth in March. We expect a similar figure for April. More interestingly, loan growth was very strong in March. Both households and NFCs saw increases of respectively EUR16bn and EUR18bn in loans, causing yearly growth rates of 2.4% and 2.3%. The figures should have been good news to the ECB as they show how well the monetary accommodation is transmitting to the economy.

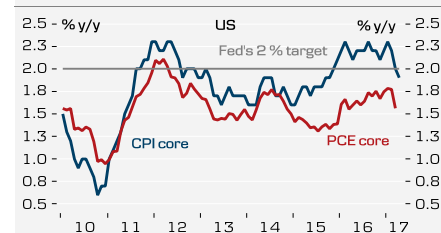
On Wednesday 31 May the euro-area HICP figures are due for release. The details released this week showed that Easter was indeed the reason core inflation was driven up to 1.2% from 0.7% in April while headline inflation rose to 1.9% from 1.5%. We expect headline inflation to decrease to 1.5% while we expect core inflation should drop back to 1.0% in May. Looking forward, the support from the oil price continues to fade, meaning headline inflation is likely to fall throughout 2017 to as low as 1.0% towards the end of the year. Note that the German inflation figures are released on Tuesday 30 May.

PMIs will give us an idea of whether weak GDP growth in Q1 was transitory or not



Source: Markit Economics, BEA

CPI inflation surprised on the downside again in May – we expect PCE to follow suit



Source: BEA, BLS

Business cycle may start to slow



Source: Markit PMI, IFO, Danske Bank Markets

The euro-area unemployment figures are also due for release on Wednesday 31 May. The labour market continues to strengthen, and we observed an unemployment rate of 9.5% in March. We expect a further decrease in April to 9.4%. Note that despite the falling unemployment, we still see few signs of wage growth picking up to support higher inflation (see *Euro area wage growth should stay subdued, not supporting core inflation significantly*, 5 May 2017). Note that the German unemployment rate is due for release an hour in advance of the euro-area figure.

Wednesday 31 May also brings the German retail sales for April. In March, retail sales increased 0.1% m/m following the 1.1% monthly increase in February. We estimate another monthly increase for April of 0.4%, as Easter is likely to have boosted retail sales in April

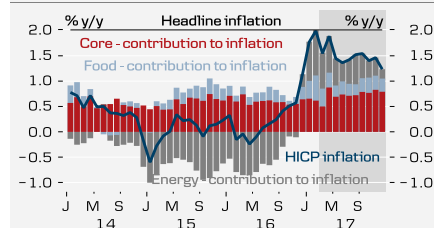
- In the **UK**, focus remains on politics, not least the general election taking place on 8 June. The Conservatives still enjoy a big lead of almost 20 percentage points over Labour and our base case is PM Theresa May increases her majority in the House of Commons significantly. For more see also our *FX Strategy: UK snap election not a catalyst for a higher EUR/GBP*, 9 May.

Next week the second estimate of GDP growth in Q1 is due for release on Thursday and we expect an unchanged print of 0.3% q/q (Bank of England expects it to be revised up to 0.4% q/q). More interestingly, it is the first time we get the subcomponents such as private consumption and business investments for Q1, which will give us more insight into why growth slowed at the beginning of the year.

The week after the next, we get PMIs for manufacturing and construction for May (on 1 June and 2 June, respectively). As we estimate that the PMI manufacturing index for the euro area fell in May, we expect the same for the UK index. We also get the GfK consumer confidence and Lloyds Business Barometer both for May on Wednesday 31 May.

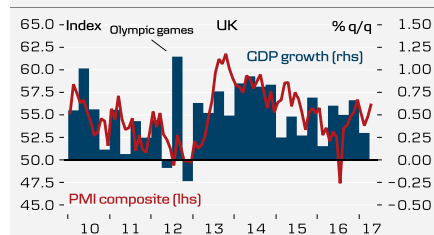
- The key thing to watch in **China** over the next two weeks is PMI data for May and the Chinese bond markets, which have been under severe stress lately. We look for a further weakening in PMIs over the coming quarters but a small increase in May is possible as the sharp drop in April may have been a bit too big compared to underlying developments. Downside risks to growth in China have emerged lately as financial stress picked up on the back of tightening of regulation towards shadow banking. This should be watched closely in the coming months.

**Inflation set to decrease**



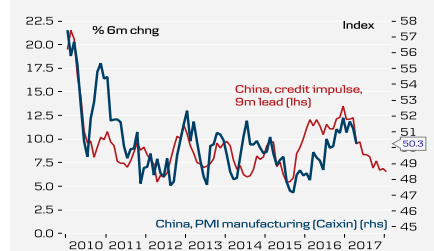
Source: Eurostat, Danske Bank Markets

**PMI composite rose to a solid level in April**



Source: ONS, Bank of England

**Weaker commodity prices point to lower PPI inflation from here**



Source: Macrobond Financial

## Scandi

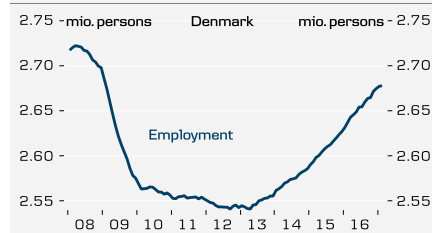
- In **Denmark**, the coming week is a quiet one, the only two points of interest coming on Monday. The first is employment data for March. Job growth was sluggish in the first two months of the year, so it will be interesting to see whether this marks a new trend or whether employment picks up again in March. The other is retail sales for April. Consumer finances are currently being buoyed by rising employment, low interest rates, rising house prices and, not least, rising real wages, so there should be scope for Danish households to continue to loosen the purse strings.

The following week is a much busier affair and kicks off with business confidence on Monday. Manufacturing confidence moved into positive territory in April, for the first time in three years, so it will be exciting to see whether there is further improvement in May. Tuesday brings the Economic Council's spring report, which will include a special focus on the dynamic effects of government expenditure and foreign labour. The full national accounts for Q1 follow on Wednesday. The GDP indicator just released by Statistics Denmark showed a moderate increase of 0.3%, suggesting that growth was boosted somewhat by rising private consumption. Foreign portfolio investments and securities statistics for April are due out the same day. Rounding off the week on Friday are currency reserves and unemployment data. The krone has been stable against the euro in May, so it is unlikely that the central bank will have had to intervene, and we expect an unchanged jobless rate of 4.3% in April.

- In **Sweden**, the two weeks in front of us contain a great deal of data. On Tuesday (23 May, at 09.30 CEST) we receive the first set of data as the April labour force survey is published. As usual, we concentrate on employment and hours worked, rather than the unemployment rate, as this measure is distorted by the high influx of immigrants. To keep it simple; we expect to see a continued improvement in employment numbers. The day after (at 09.00 CEST) the NIER should publish its May consumer and business confidence surveys and we have no reason to expect major changes to the solid readings over the past few months. The next Monday (29 May, at 09.30 CEST) we receive both the Riksbank April financial market statistics, including household credit growth, and Statistics Sweden's April trade balance data. On the following day, Tuesday 30 May (at 09.30 CEST), the main event covered in this edition of weekly focus is undoubtedly 2017 Q1 GDP data. We expect growth to come in at around 2½% y/y (calendar adjusted) which is well in line with our ex ante forecast. However, we will also receive new and revised preliminary statistics during the upcoming period, and this may alter our point estimate somewhat. Concurrent with the publication of GDP data we will also receive April retail sales, but in terms of market impact this will surely pale in comparison.

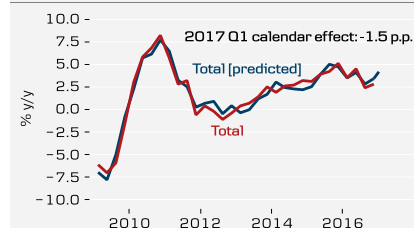
- In **Norway**, the main event of the coming fortnight is without doubt the Q2 oil investment survey. There have been a number of signs recently that the downturn in the oil sector is coming to an end, most recently with the week's GDP data showing an increase in oil investment in Q1. The investment survey for Q2 will be particularly interesting because it includes a first estimate for 2018. We expect oil investment to grow in volume terms in 2018, but continued cost-cutting makes it uncertain whether the nominal level measured by the survey will reflect this. We nevertheless expect the survey to paint a moderately brighter picture of 2017 and show growth in 2018 for the first time in four years. The fortnight also brings both LFS and NAV jobless numbers. Both sources have shown falling unemployment in recent months. As we have mentioned many times before, there seems to be abnormal uncertainty about the LFS data, which have been showing a decline in both employment and the labour force since the autumn. We therefore set greater store by the NAV data, which we expect will show a fall in the jobless rate to 2.6% in May, with gross unemployment down 500 people

### Is employment easing down a gear?



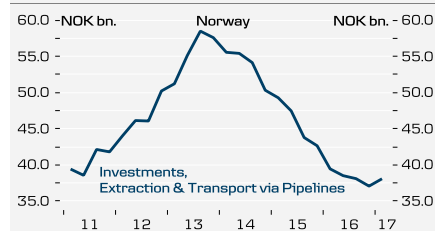
Source: Statistics Denmark

### Danske activity index has accelerated



Source: Macrobond Financial, Danske Bank calculations

### Has oil investment bottomed out?



Source: Macrobond Financial

m/m. We expect the LFS jobless rate to be unchanged at 4.3% in March, and it will be interesting to see whether the gap between its job data and those in the national accounts continues to close. The last week in May sees the release of retail sales for April. Retail sales have moved more or less sideways for the past two years with a downward tendency towards the end of last year, probably due to high inflation eroding households' purchasing power. GDP data have showed that overall consumption has been performing much better, thanks to strong growth in consumption of services. The April figures are associated with uncertainty due to the timing of Easter, but we expect to see growth of 1.0% m/m, because it seems that the seasonal adjustment does not fully capture fluctuations during the period. Also coming up is the May edition of the PMI, which has been pointing clearly to an improvement in manufacturing driven by an upturn in oil-related industries.

**Market movers ahead**

Global movers			Event		Period	Danske	Consensus	Previous
Tue	23-May	10:00	DEM	IFO - expectations	Index	May	<b>104.9</b>	105.2
		14:00	HUF	Central Bank of Hungary rate decision	%		<b>0.90%</b>	0.90%
Wed	24-May	10:00	EUR	PMI composite, preliminary	Index	May	<b>56.5</b>	56.8
		14:45	EUR	ECB's Draghi speaks in Madrid				
		15:45	USD	Markit PMI manufacturing, preliminary	Index	May	<b>52.3</b>	52.8
		15:45	USD	Markit PMI service, preliminary	Index	May	<b>54.0</b>	53.1
		16:00	CAD	Bank of Canada rate decision	%		<b>0.50%</b>	0.50%
		20:00	USD	FOMC minutes				
Thurs	25-May	-	OPEC	OPEC meeting				
Fri	26-May	-	G7	G7 Meeting 26-27 May				
		14:30	USD	Core capital goods orders, preliminary	%	Apr		0.5%

**Scandi movers**

Wed	24-May	8:00	NOK	Oil investment survey		2nd quarter		
		8:00	NOK	Unemployment (LFS)	%	Mar	<b>4.3%</b>	4.3%
		9:00	SEK	Manufacturing confidence	Index	May		123.2

Global movers			Event		Period	Danske	Consensus	Previous
During the week		Fri 26 - 27	EUR	G7 Leaders meet in Taormina, Sicily				
Mon	29-May	10:00	EUR	Loans to households (adj. for sales and sec.)	%	Apr		
Tue	30-May	14:30	USD	PCE core	m/m y/y	Apr	<b>0.1% 1.4%</b>	0.1% ...
		3:00	CNY	PMI manufacturing	Index	May		51.2
Wed	31-May	11:00	EUR	HICP - core inflation, preliminary	y/y	May	<b>1.0%</b>	1.2%
		11:00	EUR	HICP inflation, preliminary	y/y	May	<b>1.5%</b>	1.9%
		10:30	GBP	PMI manufacturing	Index	May		57.3
Thurs	01-Jun	3:45	CNY	Caixin PMI manufacturing	Index	May		50.3
		16:00	USD	ISM manufacturing	Index	May		54.8
		14:30	USD	Unemployment	%	May		4.4%
Fri	02-Jun	14:30	USD	Average hourly earnings, non-farm	m/m y/y	May		0.3% 2.5%

**Scandi movers**

Tue	30-May	9:30	SEK	GDP	q/q y/y	1st quarter	<b>... 2.5%</b>	1.0% 2.3%
		9:30	SEK	Wages (blue collars/white collars)	y/y	Mar		2.3%
Thurs	01-Jun	9:00	NOK	PMI manufacturing	Index	May		54.7
Fri	02-Jun	10:00	NOK	Unemployment	%	May	<b>2.6%</b>	2.8%
		16:00	DKK	Currency reserves	DKK bn	May		464.1

Source: Bloomberg, Danske Bank Markets

# Global Macro and Market Themes

## Volatile volatility is here to stay

### The beginning of the end of the USD's bull run

Over the past week, volatility has spiked, equities have corrected lower, the US dollar has collapsed and global yields have dropped. This is as expected as the cycle turns lower. Our quantitative business cycle model has turned increasingly negative with a synchronised move lower across Europe, the US, Japan and emerging markets. The market perception that volatility would fall after the French election as political risk in the eurozone is gone is incorrect, as focus shifts from politics to the economy. **Volatility in markets is likely to become more volatile as the cycle turns lower (see Chart 1).** Of course, recent news regarding President Trump's interference in the FBI investigations is disturbing and has added to the rise in volatility, but the fundamental driver, in our view, is the turn lower in the cycle. **Expect volatility across asset markets to become more volatile near term.**

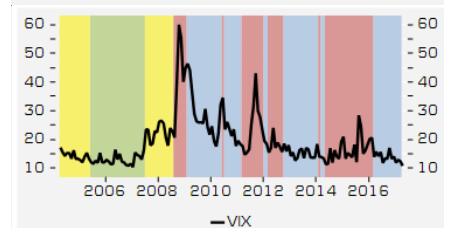
Since the great recession, China has been leading the global industrial production (IP) cycle (see Chart 3). China had several mini-cycles in the period 2013-14 but that can be explained by the authorities' stop-go policies in those years. We are that the cycle in China is now turning lower as the authorities tightening measures to reign in house prices as well a normalisation of infrastructure investments is set to drive lower growth near term. For more details, see *Research: China leading indicators – the slowdown is a reality*, 2 May 2017. **China was the positive story in 2016 but this is set to turn in 2017.**

The recent strength of the EUR and fall of the USD can be explained by a repricing of both Europe and the US. The difference in the economic surprise indices between the eurozone and the US is at the highest level since spring 2015 (see Chart 2) and PMIs in the eurozone have been marching higher consistently since September 2016, while the cycle in China and the US is faltering (see Chart 4). Eventually, there will be a spill-over from the IP cycle in China and US into the eurozone as there always is, but for now, the eurozone is shining. However, EUR/USD has moved very far, very rapidly in a very short period of time and that was the reason we decided yesterday to take profit on our long EUR/USD recommendation from FX Top Trades.

### Key points

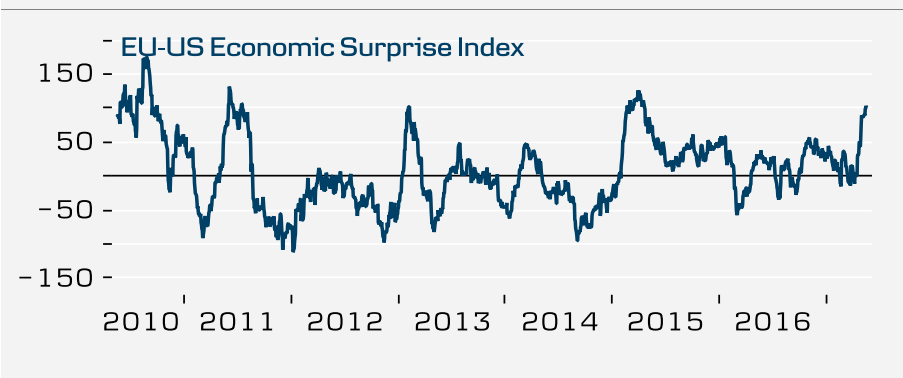
- Volatility in markets is set to become more volatile as the cycle turns lower.
- The USD's fall and EUR's strength is as expected given the divergence in economic performance. We remain medium-term EUR/USD bullish.
- Expect FI markets to range-trade with a possible slight bullish bias near term on the lower cycle and falling inflation expectations.
- We have turned near-term bearish on equities as we are in the interim period between two reflation periods.

Chart 1: Volatility set to rise as economy decelerates\*



\*Red quadrants refer to economic deceleration. Source: Danske Bank Markets

Chart 2: Widening gap in EU and US economic surprise indices



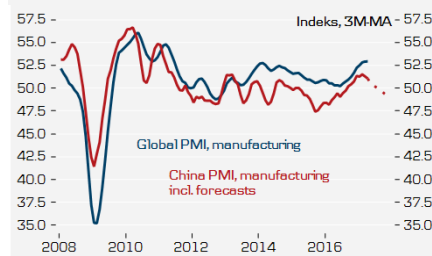
Source: Macrobond Financial, Danske Bank Markets

**In the medium to long term, we remain bullish on EUR/USD as fundamentals such as valuation and current-account balances suggest a much higher EUR/USD over time. We forecast EUR/USD at 1.16 in 12M. More broadly, we are currently envisaging the beginning of the end of the USD’s multi-year bull run.**

Historically, the move lower in the IP cycle tends to be bullish for fixed income (FI) markets. Of course, the cycle is only one of many factors affecting FI markets including positioning, central bank behaviour and inflation expectations. The market is long US Treasuries but only mildly so. Meanwhile, market inflation expectations are falling sharply in the US. In the eurozone, the market will stay tuned to the ECB meeting on 8 June, where we expect the central bank to include hawkish wording but not change forward guidance in terms of whether rates will stay at current ‘or lower levels’. **In summary, we expect US and eurozone FI to be range-trading near term with a possible slight bullish bias supported by a turn lower in the cycle, particularly in the eurozone, and lower inflation expectations.**

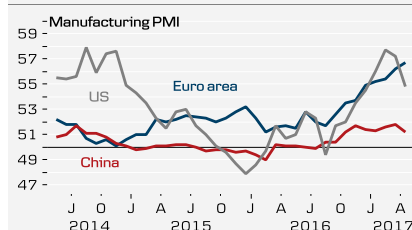
**In equities, we think the recent sell-off is part of establishing the bottom in the trading range and we do not think we have established the bottom yet.** Up until a few days ago we were hovering around the top in the trading range and now with global data rolling over (but not crashing), we think the bottom in the trading range will be established. Our bearish short-term view on equities is supported by our quantitative business cycle model discussed above and the fact that European stocks are at very overbought levels. Over a three-six month period, we are neutral on equities. Global growth is rolling over but we are not heading for a recession. As we await the second reflation wave, we are stuck in the interim period where we will be in a trading range but not a crash.

**Chart 3: China has been leading the global cycle since the global crisis**



Source: Macrobond Financial, Danske Bank Markets

**Chart 4: The eurozone is the shining star – for now**



Source: Macrobond Financial, Danske Bank Markets

**Global market views**

Asset class	Main factors
<b>Equities</b> Our short term trading opportunity stance (0-1month): Sell on rallies Our strategy stance (3-6M): Neutral on equities vs cash	We think the sell-off is a part of establishing the bottom in the trading range and we do not think we have established the bottom yet. We think we are in an interim period between two reflation periods and in this period markets will trade in a range. Up until a few days ago, we were hovering around the top in the trading range and now with global data rolling over (but not crashing), we think the bottom in the trading range will be established. On 3-6M, we are neutral on equities. The cycle is turning lower but we are not heading for a recession. As we await the second reflation wave, we are stuck in the interim period where we will be in a trading range, but not a crash. In this environment, defensives will outperform cyclicals.
<b>Bond market</b> German/Scandi yields – set to stay in recent range for now, higher on 12M horizon EU curve – set to steepen 2Y 10Y when long yields rise again US-euro spread – stable Peripheral spreads – tightening but clear risk factors to watch	German yields are no longer being kept low by ‘European politics’ but still low core inflation and an apparent peak in the global manufacturing cycle are set to keep yields low in 2017. However, the risk picture has become more two-sided given the risk the ECB will change its rhetoric slightly next month. The ECB is set to keep a tight leash at the short end of the curve and 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. Economic recovery, QE and better fundamentals, particularly in Portugal and Spain, point to further tightening, but banking recapitalisation plans (Italy) and a fear of a new move higher in core eurozone yields (ECB tapering fears) remain clear risk factors. Periphery spreads often widen when core yields move higher.
<b>FX</b> EUR/USD – set to test new highs in H2 EUR/GBP – slightly lower post election, then range-bound for extended period USD/JPY – gradually higher longer term EUR/SEK – range near term, then gradually lower EUR/NOK – range near term, then gradually lower	While Fed-ECB policies should cap further upside near term, the cross is set to test new year highs in H2. If Theresa May stays in power, GBP could strengthen post the June election, then be range-bound (0.8200-0.8650) over Brexit negotiations. Challenged by US cyclical and political risks near term but set to edge higher driven by 10Y US rates further out. Gradually lower on fundamentals and valuation this year but near-term SEK potential limited by the Riksbank. Cross set to move lower on valuation, growth and real-rate differentials normalising but NOK vulnerable to global risk appetite.
<b>Commodities</b> Oil price – range-bound, downside risk Metal prices – range-bound, downside risk Gold price – range-bound Agricultural – rising again	OPEC cuts almost fully implemented, extension about priced in. Downside risk from more hawkish central banks. Underlying support from consolidation in mining industry, industrial cycle nearing a peak. Downside risk from financial stress in China Temporary support from lower USD and US political turmoil. Recent fall on lower oil only temporary.

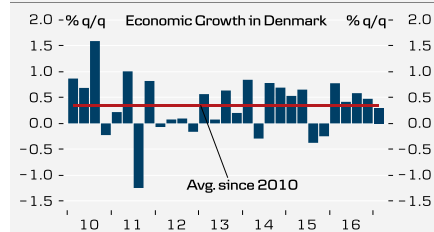
Source: Danske Bank Markets

# Scandi update

## Denmark – Q1 GDP growth on the low side

According to Statistics Denmark's GDP indicator, output climbed 0.3% in Q1, slightly less than the 0.4% we forecast. As this figure is only a first estimate of GDP measured from the production side, we do not yet know which components of demand were behind this growth. Statistics Denmark did note, however, that construction and the transport sector in particular contributed positively to growth in Q1. Going by recent data, this would suggest that growth was to some extent driven by rising private consumption, while exports have fallen back slightly.

GDP indicator suggests moderate growth in Q1

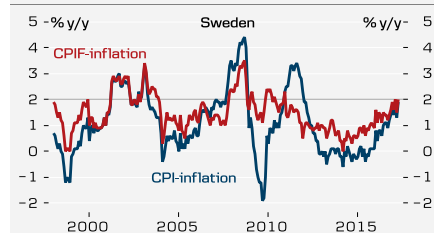


Source: Statistics Denmark

## Sweden – not much ado

In Sweden, the past week has been a bore. Not even when we received the long-awaited Riksbank deliberations on the inflation target and Riksbank Governor Stefan Ingves's annual policy speech for the Swedish Economics Association did we see much action. That said, and in short, the Riksbank is considering changing its target variable from CPI to CPIF (where interest rates are fixed), which is a matter of formalising something that has been de facto policy for years. In addition, the Riksbank is contemplating publishing a variation band, which **will have no impact on the conduct of monetary policy** whatsoever. According to the Riksbank it is solely to be regarded as a tool for communicating and demonstrating the inherent difficulties in making forecasts. From experience, we can already conclude that most 'Riksbank watchers' have only managed to become more confused by the discussion of a variation band. Not a good idea, in our view, Ingves et al.

CPI inflation in Sweden

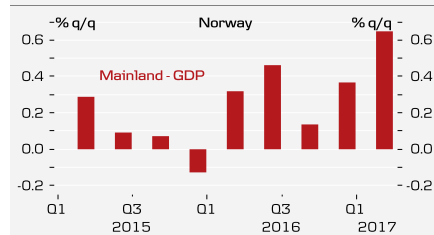


Source: Macrobond Financial

## Norway – back on the growth track

Mainland GDP grew 0.6% q/q in Q1, slightly more than we anticipated. Together with revisions, this took the annual rate to 1.6%, well above the 1.3% projected by Norges Bank in its March monetary policy report. The underlying components were more or less as expected: private consumption growing reasonably well due to strong growth in consumption of services, private investment down slightly after some strong quarters and solid contributions from housing investment, government investment and net exports. Oil investment also climbed for the first time since Q3 13, which could indicate that oil-related industries have now bottomed out. Otherwise, it is worth noting that employment as measured in the national accounts increased by 3,000 people q/q and 14,000 y/y, which stands in stark contrast to the employment data for January-March in the LFS, which showed a decrease of 14,000 y/y. All in all, this means that both growth and capacity utilisation are on the up and stronger than Norges Bank anticipated in March. In isolation, therefore, domestic growth will push up the interest rate path when the bank publishes its next set of projections in the June monetary policy report.

Growth accelerating



Source: Macrobond Financial, Danske Bank



# Latest research from Danske Bank Markets

## *19/5 Flash Comment: Brazil rocked by renewed political crisis*

The fresh political crisis calls into question the future of the Temer government and the ability to push through market-friendly reforms, weakening the BRL and the Brazilian stock markets.

## *17/5 Yield Outlook: Range trading for the rest of 2017 but higher yields in 2018*

While we continue to see further upside for 10Y German Bund yields on a 12M horizon we expect no major changes in 2017. This is also the case for Swedish, Danish and Norwegian yields. Range trading for the rest of 2017 is our call

## *16/5 Riksbank Comment: Much ado about nothing*

The proposed changes – introducing the previous ‘policy variable’ CPIF as the new target variable (target still 2%) and introducing a ‘variation band’ – will have no implications for the conduct of monetary policy.

## *15/5 FX Forecast Update: Cyclical risks surfacing as politics abate*

With political risks in Europe abating for now, currency market focus could increasingly turn to the global cycle where the risks from a weaker China and Fed determinedness to normalise policy could endanger the recovery.

# 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	2016	1.3	1.9	-0.1	5.2	-0.4	1.7	2.4	0.3	4.2	-0.9	37.8	8.1
	2017	1.7	2.0	0.1	4.2	0.0	4.4	4.8	1.2	4.3	-1.2	36.7	7.8
	2018	1.7	2.1	0.8	3.5	0.0	2.7	3.4	1.5	4.2	-0.6	35.1	7.7
Sweden	2016	3.3	2.2	3.1	5.9	0.1	3.4	3.7	1.0	6.9	0.7	42.1	4.7
	2017	1.8	1.3	1.3	2.2	-0.5	3.7	2.0	1.3	7.0	0.2	39.9	5.0
	2018	1.9	1.4	2.0	2.1	0.1	3.6	3.6	1.2	6.9	0.0	39.3	5.0
Norway	2016	0.8	1.6	2.3	0.5	0.3	-1.2	0.3	3.6	3.0	-	-	-
	2017	1.8	2.1	1.7	1.3	0.0	1.4	1.2	2.3	2.8	-	-	-
	2018	2.2	2.3	1.6	2.0	0.0	1.6	2.2	1.5	2.7	-	-	-

## 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>
Euroland	2016	1.7	1.9	1.8	2.5	-	2.7	3.4	0.2	10.0	-1.7	91.5	3.6
	2017	1.6	1.4	1.2	1.8	-	3.8	3.9	1.5	9.4	-1.4	90.4	3.2
	2018	1.6	1.1	1.1	3.6	-	3.6	4.0	1.1	8.8	-1.4	89.2	3.1
Germany	2016	1.8	1.8	4.0	2.1	-	2.4	3.6	0.4	4.2	0.6	68.2	8.7
	2017	1.9	1.3	2.5	2.4	-	3.9	5.0	1.7	3.8	0.4	65.5	8.3
	2018	1.9	1.4	1.9	4.3	-	4.0	4.8	1.5	3.8	0.4	62.9	8.0
France	2016	1.1	1.8	1.4	2.8	-	1.2	3.6	0.3	10.0	-3.3	96.4	-2.1
	2017	1.1	1.2	1.2	1.9	-	3.3	3.8	1.3	9.9	-2.9	96.8	-2.3
	2018	1.2	1.0	1.1	3.0	-	3.0	3.5	1.3	9.7	-3.1	97.4	-2.6
Italy	2016	1.0	1.3	0.6	3.1	-	2.6	3.1	-0.1	11.7	-2.3	132.8	2.7
	2017	1.0	0.8	0.7	3.3	-	4.3	4.8	1.4	11.5	-2.4	133.3	2.1
	2018	1.3	0.8	0.7	3.6	-	3.5	3.5	1.2	11.4	-2.6	133.2	1.8
Spain	2016	3.2	3.2	0.8	3.1	-	4.4	3.3	-0.3	19.6	-4.7	99.7	1.8
	2017	2.5	2.3	0.8	2.7	-	3.8	2.9	1.9	17.7	-3.5	100.0	1.7
	2018	2.2	2.0	1.2	4.7	-	3.6	4.6	1.0	16.1	-2.9	99.7	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	1.5	1.0	-0.1	3.5	-	3.0	2.5	1.2	8.3	-2.3	64.7	-1.1
	2018	1.5	1.0	0.2	2.5	-	4.0	3.0	1.4	8.0	-2.0	65.0	-0.9

## 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	2016	1.6	2.6	0.8	0.4	-0.4	0.7	0.7	1.3	4.9	-2.6	105	-2.7
	2017	2.2	2.2	0.6	2.8	0.1	3.2	2.3	2.4	4.7	-2.9	105	-2.9
	2018	2.8	2.0	2.9	6.1	0.0	3.0	3.0	2.5	4.4	-2.8	103	-3.3
China	2016	6.7	-	-	-	-	-	-	2.0	4.1	-3.0	46.3	2.4
	2017	6.6	-	-	-	-	-	-	2.0	4.3	-3.3	49.9	2.1
	2018	6.3	-	-	-	-	-	-	2.0	4.3	-3.0	53.3	1.5
UK	2016	2.0	2.8	0.8	0.9	0.5	1.0	2.7	0.7	4.9	-3.6	88.7	-5.0
	2017	1.2	1.7	0.2	0.3	0.3	1.7	2.4	2.3	5.0	-2.9	89.2	-4.9
	2018	1.0	1.0	0.4	0.7	0.0	2.8	2.0	2.6	5.3	-2.2	88.7	-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	19-May	1.00	1.18	1.50	2.17	111.3	-	877.9
	+3m	1.25	1.58	1.60	2.35	109.0	-	871.6
	+6m	1.25	1.74	1.75	2.45	111.0	-	855.9
	+12m	1.75	2.07	2.05	3.00	116.0	-	801.7
EUR	19-May	0.00	-0.33	-0.15	0.80	-	111.3	976.9
	+3m	0.00	-0.35	-0.15	0.85	-	109.0	950.0
	+6m	0.00	-0.35	-0.05	0.95	-	111.0	950.0
	+12m	0.00	-0.35	0.00	1.30	-	116.0	930.0
JPY	19-May	-0.10	-0.01	0.04	0.24	123.8	111.3	7.89
	+3m	-0.10	-	-	-	124.3	114.0	7.65
	+6m	-0.10	-	-	-	128.8	116.0	7.38
	+12m	-0.10	-	-	-	134.6	116.0	6.91
GBP	19-May	0.25	0.31	0.55	1.13	85.9	129.5	1137.2
	+3m	0.25	0.31	0.55	1.25	84.0	129.8	1131.0
	+6m	0.25	0.31	0.55	1.35	83.0	133.7	1144.6
	+12m	0.25	0.31	0.55	1.75	83.0	139.8	1120.5
CHF	19-May	-0.75	-0.73	-0.63	0.14	109.0	97.9	896.6
	+3m	-0.75	-	-	-	110.0	100.9	863.6
	+6m	-0.75	-	-	-	112.0	100.9	848.2
	+12m	-0.75	-	-	-	115.0	99.1	808.7
DKK	19-May	0.05	-0.23	0.03	1.04	744.1	668.7	131.3
	+3m	0.05	-0.25	0.05	1.10	744.0	682.6	127.7
	+6m	0.05	-0.25	0.15	1.20	744.0	670.3	127.7
	+12m	0.05	-0.25	0.20	1.55	744.0	641.4	125.0
SEK	19-May	-0.50	-0.48	-0.31	1.07	976.9	877.9	100.0
	+3m	-0.50	-0.48	-0.40	1.15	950.0	871.6	-
	+6m	-0.50	-0.48	-0.40	1.10	950.0	855.9	-
	+12m	-0.50	-0.48	-0.35	1.40	930.0	801.7	-
NOK	19-May	0.50	0.90	1.12	1.84	940.5	845.2	103.9
	+3m	0.50	0.90	1.20	1.90	930.0	853.2	102.2
	+6m	0.50	0.90	1.30	1.90	910.0	819.8	104.4
	+12m	0.50	0.90	1.35	2.30	900.0	775.9	103.3

## Equity markets

Regional		Risiko profil 3 mdr.	Pris trend 3 mdr.	Pris trend 12 mdr.	Regionale rekommendationer
USA (USD)	Growth boost: fisc. expansion, tax cuts, infl./growth-impulse	Medium	5-10%	10-15%	Overweight
Emerging markets (local ccy)	Hurt by stronger USD and increased protectionism	Medium	-5-0%	-5-5%	Underweight
Japan (JPY)	Valuation and currency support	Medium	5-10%	10-15%	Overweight
Euro area (EUR)	Political uncertainty ahead due to French election	Medium	0-5%	0-5%	Underweight
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%	Neutral

## Commodities

	19-May	2017				2018				Average	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2017	2018
NYMEX WTI	50	52	53	54	58	58	60	61	61	54	60
ICE Brent	53	55	54	54	58	58	60	61	61	55	60
Copper	5,580	5,855	5,700	5,900	6,000	6,025	6,050	6,075	6,100	5,864	6,063
Zinc	2,533	2,789	2,600	2,500	2,400	2,300	2,300	2,300	2,300	2,572	2,300
Nickel	9,175	10,321	10,000	11,000	11,500	11,600	11,700	11,800	11,900	10,705	11,750
Aluminium	1,923	1,858	1,800	1,800	1,800	1,800	1,800	1,810	1,820	1,815	1,808
Gold	1,251	1,219	1,200	1,150	1,160	1,170	1,180	1,190	1,200	1,182	1,185
Matif Mill Wheat	166	170	165	164	170	169	167	168	168	167	168
Rapeseed	360	415	400	435	430	425	415	415	410	420	416
CBOT Wheat	428	429	425	475	500	510	520	530	540	457	525
CBOT Soybeans	949	1,021	1,000	1,050	1,050	1,075	1,075	1,100	1,100	1,030	1,088

Source: Danske Bank Markets

# Calendar

## Key Data and Events in Week 21

During the week				Period	Danske Bank	Consensus	Previous
<b>Monday, May 22, 2017</b>							
-	EUR	Eurogroup meeting in Brussels					
1:50	JPY	Exports	y/y (%)	Apr		0.1	0.1
1:50	JPY	Import	y/y (%)	Apr		0.1	0.2
1:50	JPY	Trade balance, s.a.	JPY bn	Apr		123.0	172.2
7:00	JPY	Leading economic index, final	Index	Mar			105.5
9:00	DKK	Employment (monthly)	1.000 m/m	Mar			2671 6000
9:00	DKK	Retail sales	m m y/y	Apr			0.3% 2.6%
16:00	USD	Fed's Harker (voter, hawkish) speaks					
16:30	USD	Fed's Kashkari (voter, dovish) speaks					
<b>Tuesday, May 23, 2017</b>							
3:10	USD	Fed's Evans (voter, dovish) speaks					
8:00	DEM	GDP, second release	q/q y/y	1st quarter	0.6% ...		0.6% 1.7%
8:00	DEM	Private consumption	q/q	1st quarter			0.3%
8:00	DEM	Government consumption	q/q	1st quarter			0.8%
8:00	DEM	Gross fixed investments	q/q	1st quarter			0.8%
8:45	FRF	Business confidence	Index	May			104.0
9:30	SEK	Unemployment (n.s.a. s.a.)	%	Apr	7.0% 6.5%		6.8% 6.4%
10:00	DEM	IFO - business climate	Index	May	112.5		112.9
10:00	DEM	IFO - current assessment	Index	May	120.6		121.1
10:00	DEM	IFO - expectations	Index	May	104.9		105.2
14:00	HUF	Central Bank of Hungary rate decision	%		0.90%	0.90%	0.90%
15:00	USD	Fed's Kashkari (voter, dovish) speaks					
16:00	USD	New home sales	1000 (m/m)	Apr		620	621.0 (5.8%)
21:15	USD	Fed's Kashkari (voter, dovish) speaks					
23:00	USD	Fed's Harker (voter, hawkish) speaks					
<b>Wednesday, May 24, 2017</b>							
2:30	JPY	Nikkei Manufacturing PMI, preliminary	Index	May			52.7
8:00	NOK	Oil investment survey		2nd quarter			
8:00	DEM	GfK consumer confidence	Net. Bal.	Jun			10.2
8:00	NOK	Unemployment (LFS)	%	Mar	4.3%		4.3%
9:00	SEK	Consumer confidence	Index	May			103.4
9:00	SEK	Economic Tendency Survey	Index	May			112.8
9:00	SEK	Manufacturing confidence	Index	May			123.2
9:00	FRF	PMI manufacturing, preliminary	Index	May	54.5		55.1
9:00	FRF	PMI services, preliminary	Index	May	56.2		56.7
9:30	DEM	PMI manufacturing, preliminary	Index	May	57.7		58.2
9:30	DEM	PMI services, preliminary	Index	May	55.1		55.4
9:30	SEK	PPI	m m y/y	Apr			-0.1% 6.5%
10:00	EUR	PMI manufacturing, preliminary	Index	May	56.2		56.7
10:00	EUR	PMI composite, preliminary	Index	May	56.5		56.8
10:00	EUR	PMI services, preliminary	Index	May	56.1		56.4
10:30	EUR	ECB's Praet speaks in Sofia					
14:45	EUR	ECB's Draghi speaks in Madrid					
15:00	USD	FHFA house price index	m/m	Mar			0.8%
15:45	USD	Markit PMI manufacturing, preliminary	Index	May	52.3		52.8
15:45	USD	Markit PMI service, preliminary	Index	May	54.0		53.1
16:00	USD	Existing home sales	m (m/m)	Apr		5.67	5.71 4.4%
16:00	CAD	Bank of Canada rate decision	%		0.50%	0.50%	0.50%
16:30	USD	DOE U.S. crude oil inventories	K				-1753
20:00	USD	FOMC minutes					

Source: Danske Bank Markets

## Calendar (continued)

Thursday, May 25, 2017			Period	Danske Bank	Consensus	Previous
-	USD	Fed's Kaplan (voter, dovish) speaks				
-	OPEC	OPEC meeting				
0:30	USD	Fed's Kashkari (voter, dovish) speaks				
9:00	ESP	GDP, second release	q/q y/y	1st quarter	0.8% ...	0.8% 3.0%
10:30	GBP	GDP, second estimate	q/q y/y	1st quarter	0.3% 2.1%	0.3% 2.1%
10:30	GBP	Index of services	m/m 3m/3m	Mar		0.2% 0.5%
14:30	USD	Initial jobless claims	1000			
14:30	USD	Advance goods trade balance	USD bn	Apr	-64.0	-64.2
Friday, May 26, 2017			Period	Danske Bank	Consensus	Previous
-	G7	G7 Meeting 26-27 May				
1:30	JPY	CPI - national ex. fresh food	y/y	Apr	0.4%	0.2%
1:30	JPY	CPI - national	y/y	Apr	0.4%	0.2%
4:00	USD	Fed's Bullard (non-voter, dove) speaks				
14:30	USD	Core capital goods orders, preliminary	%	Apr		0.5%
14:30	USD	GDP, second release	q/q AR	1st quarter	0.9%	0.7%
14:30	USD	PCE core, second estimate	q/q AR	1st quarter		2.0%
16:00	USD	University of Michigan Confidence, final	Index	May	97.5	97.7

The editors do not guarantee the accurateness of figures, hours or dates stated above

For further information, call (+45) 45 12 85 22.

Source: Danske Bank Markets

# Calendar

## Key Data and Events in Week 22

During the week			Period	Danske Bank	Consensus	Previous
Fri 26 - 27	EUR	G7 Leaders meet in Taormina, Sicily				
Sat 27	CNY	Industrial profits	y/y	Apr		23.8%
Monday, May 29, 2017			Period	Danske Bank	Consensus	Previous
0:15	USD	Fed's Williams (non-voter, neutral) speaks				
8:00	NOK	Wage index manufacturing	q/q	1st quarter		0.1%
9:00	DKK	Confidence indicator, industry, s.a.	Net balance	May		1
9:30	SEK	Trade balance	SEK bn	Apr		-0.8
10:00	EUR	Money supply (M3)	y/y	Apr	5.0%	5.3%
10:00	EUR	Loans to households (adj. for sales and sec.)	%	Apr		
10:00	EUR	Loans to NFCs (adj. for sales and sec.)	%	Apr		
Tuesday, May 30, 2017			Period	Danske Bank	Consensus	Previous
1:30	JPY	Unemployment rate	%	Apr		2.8%
1:30	JPY	Job-to-applicant ratio		Apr		1.45
1:50	JPY	Retail trade	m/m y/y	Apr		0.2% 2.1%
8:00	NOK	Retail sales, s.a.	m/m	Apr	1.0%	0.1%
8:45	FRF	Consumer confidence	Index	May		100.0
8:45	FRF	Household consumption	m/m y/y	Apr		-0.4% -1.0%
8:45	FRF	GDP, second release	q/q y/y	1st quarter	0.3% ...	0.3% 0.8%
9:00	CHF	KOF leading indicator	Index	May		106.0
9:00	ESP	HICP, preliminary	m/m y/y	May	.. 2.0%	0.9% 2.6%
9:30	SEK	Retail sales s.a.	m/m y/y	Apr		-0.4% 1.9%
9:30	SEK	GDP	q/q y/y	1st quarter	.. 2.5%	1.0% 2.3%
9:30	SEK	Wages (blue collars/white collars)	y/y	Mar		2.3%
9:30	SEK	Household lending	y/y	Apr		7.3%
11:00	EUR	Business climate indicator	Net bal.	May		1.1
11:00	EUR	Industrial confidence	Net bal.	May		2.6
11:00	EUR	Economic confidence	Index	May		109.6
11:00	EUR	Consumer confidence, final	Net bal.	May		
11:00	EUR	Service confidence	Net bal.	May		14.2
12:00	DKK	DORS publishes Spring report on Danish economy				
14:00	DEM	HICP, preliminary	m/m y/y	May	.. 1.6%	0.0% 2.0%
14:30	USD	PCE headline	m/m y/y	Apr	0.1% 1.6%	0.2% ...
14:30	USD	Personal spending	m/m	Apr		0.3%
14:30	USD	PCE core	m/m y/y	Apr	0.1% 1.4%	0.1% ...
16:00	USD	Conference Board consumer confidence	Index	May		120.3

Source: Danske Bank Markets

## Calendar (continued)

Wednesday, May 31, 2017					Period	Danske Bank	Consensus	Previous
1:01	GBP	GfK consumer confidence	Index	May				-7.0
1:50	JPY	Industrial production, preliminary	m/m y/y	Apr				-1.9% 3.5%
3:00	CNY	PMI manufacturing	Index	May				51.2
3:00	CNY	PMI non-manufacturing	Index	May				54.0
8:00	NOK	Credit indicator (C2)	y/y	Apr				5.3%
8:45	FRF	HICP, preliminary	m/m y/y	May	.. 1.0%			0.1% 1.4%
9:00	DKK	CB's securities statistics		Apr				
9:00	DKK	Foreign portfolio investments		Apr				
9:00	DKK	GDP, preliminary	q/q y/y	1st quarter	0.3% ...			0.5% ...
9:55	DEM	Unemployment	%	May	5.8%			5.8%
10:00	NOK	Norges Bank's daily FX purchases	m	Jun				-850
10:00	DEM	Retail sales	m/m y/y	Apr	0.4% ...			0.1% 2.3%
10:30	GBP	Broad money M4	m/m y/y	Apr				0.3% 6.6%
10:30	GBP	Mortgage approvals	1000	Apr				66.8
11:00	ITL	HICP, preliminary	m/m y/y	May	.. 1.6%			0.8% 2.0%
11:00	EUR	Unemployment	%	Apr	9.4%			9.5%
11:00	EUR	HICP - core inflation, preliminary	y/y	May	1.0%			1.2%
11:00	EUR	HICP inflation, preliminary	y/y	May	1.5%			1.9%
12:00	EUR	Portugal, GDP, final	q/q y/y	1st quarter				1.0% 2.8%
14:30	CAD	GDP	m/m y/y	Mar				0.0% 2.5%
15:45	USD	Chicago PMI	Index	May				58.3
16:00	USD	Pending home sales	m/m y/y	Apr				-0.8% 0.5%
Thursday, June 1, 2017					Period	Danske Bank	Consensus	Previous
-	USD	Total vehicle sales	m	May				16.81
3:45	CNY	Caixin PMI manufacturing	Index	May				50.3
7:45	CHF	GDP	q/q y/y	1st quarter				0.1% 0.6%
8:30	SEK	PMI manufacturing	Index	May				62.5
9:00	NOK	PMI manufacturing	Index	May				54.7
9:15	ESP	PMI manufacturing	Index	May				54.5
9:45	ITL	PMI manufacturing	Index	May				56.2
10:00	ITL	GDP, second release	q/q y/y	1st quarter	0.2% ...			0.2% 0.8%
10:30	GBP	PMI manufacturing	Index	May				57.3
14:15	USD	ADP employment	1000	May				177
14:30	USD	Unit labour cost, final	q/q	1st quarter				3.0%
15:30	CAD	RBC manufacturing PMI	Index	May				55.9
16:00	USD	Construction spending	m/m	Apr				-0.2%
16:00	USD	ISM manufacturing	Index	May				54.8
Friday, June 2, 2017					Period	Danske Bank	Consensus	Previous
-	EUR	S&P may publish Ireland's debt rating						
-	EUR	Moody's may publish Finland's debt rating						
-	GBP	Moody's may publish UK's debt rating						
7:00	JPY	Consumer confidence	Index	May				43.2
9:00	DKK	Gross unemployment s.a.	K (%)	Apr	4.3%	4.3%		4.3%
9:30	SEK	Current account	SEK bn	1st quarter				64.3
10:00	NOK	Unemployment	%	May	2.6%			2.8%
10:30	GBP	PMI construction	Index	May				53.1
11:00	EUR	PPI	m/m y/y	Apr				3.9% -0.3%
14:30	USD	Unemployment	%	May				4.4%
14:30	USD	Average hourly earnings, non-farm	m/m y/y	May				0.3% 2.5%
14:30	USD	Non farm payrolls	1000	May		175		211
14:30	USD	Trade balance	USD bn	Apr				-43.7
16:00	DKK	Currency reserves	DKK bn	May				464.1

The editors do not guarantee the accurateness of figures, hours or dates stated above

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Source: Danske Bank Markets

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