20 October 2017

Weekly Focus Sweden

ECB, Riksbank and Norges Bank meetings coming up

Market Movers ahead

- In the **euro area**, we expect the ECB to announce a QE extension by nine months at a pace of EUR30bn. Apart from a scaling down of QE purchases, we do not expect the ECB to make any changes to its forward guidance at the upcoming meeting. For more, see *ECB Preview: Ready to scale back QE*, 18 October 2017.
- We do not expect changes to the **Swedish** repo rate forecast when the Riksbank meets.
- In **Norway**, we expect Norges Bank to stay on hold as it is one of the intermediate meetings without a Monetary Policy Report and a press conference.
- The **Chinese** 19th Congress of the Communist Party continues and the new Standing Committee (SC) of the Politburo is presented on Wednesday.
- The first estimates of Q3 GDP growth are due out in both the **UK** and **US** next week.

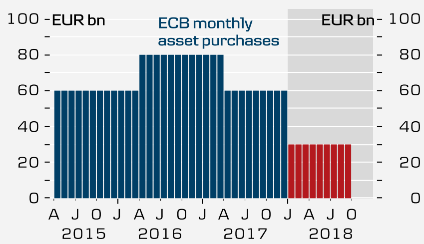
Global macro and market themes

- Risk assets are supported by a long list of favourable factors – not least strong profit growth and cautious central banks.
- A moderate slowdown in China will cause some headwind for EM assets but should not derail the global recovery.
- Bond yields and EUR/USD are set to stay range bound in the short term.

Focus

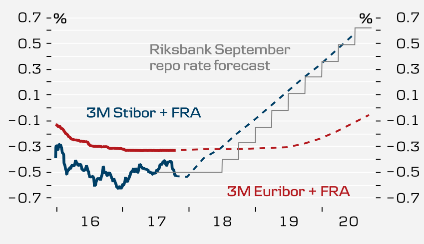
- *Strategy: Goldilocks in risk assets?*
- *ECB Preview: Ready to scale back QE*
- *Research Japan: Abe set for another term despite declining public support*
- *Flash Comment China: Xi Jinping lays out path of further reform and opening*

ECB to extend QE by nine months



Source: ECB, Danske Bank scenario, Macrobond Financial

Riksbank to stay on hold



Source: Riksbank, Macrobond Financial

Contents

Financial views

Major indices	20-Oct	3M	12M
10yr EUR swap	0.88	0.95	1.20
EUR/USD	118	118	125
ICE Brent oil	57	53	61
	20-Oct	6M	12-24M
S&P500	2562	5-10%	10-15%

Source: Danske Bank

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Market movers

Global

- In the **US**, we think the most important data release is core capex for September due on Wednesday. We believe core capex rose just 0.2% m/m after two very strong months, which would still be a sign that the investment recovery continues. We are due to get the first estimate of Q3 GDP growth on Friday, which is likely to have been affected negatively by the hurricanes, making it more difficult to estimate. While the Atlanta Fed's GDP indicator says growth was 2.7% q/q AR, the New York Fed's indicator says 1.7% q/q. Our estimate is 2.0% q/q AR. Even if we get a weak print, it should be temporary and it would not change our view that the US is in the middle of an expansion. On Tuesday, preliminary Markit PMIs for October are due. The service index shows that the service sector remains the main growth driver but we are puzzled about the large gap between ISM manufacturing and Markit PMI manufacturing and expect Markit PMI manufacturing to close the gap a little by increasing.

  On Saturday 21 October, Fed Chair Janet Yellen is set to speak on monetary policy since the financial crisis. We do not expect Yellen to express any new views, as she has clearly indicated she expects inflation to pick up, as the labour market is tight.

- In the **euro area**, the most important event of the week is the ECB meeting on Thursday. We have changed our call and now expect the ECB to announce a QE extension of nine months at a pace of EUR30bn. In our view, a larger scaling down of purchases would ease future QE implementation and higher reinvestment volumes of maturing bonds would also add to the monthly QE flows in 2018. Apart from a scaling down of QE purchases, we expect the ECB to make no changes to its forward guidance at the upcoming meeting. For more, see also *ECB Preview – Ready to scale back QE*, 18 October.

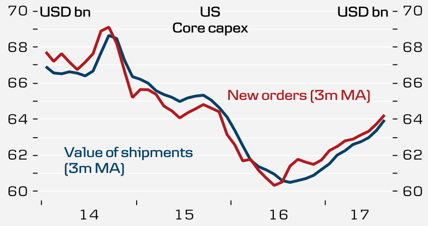
  The PMIs are due for release on Tuesday. Manufacturing PMI has been on a rising trend since August 2016, getting close to the post-financial crisis peak of 59.0 in February 2011. In October, we expect manufacturing PMI to remain around the current level of 58.1, as the stronger euro may have started to affect new export orders adversely. After four straight months of decline, services PMI recovered in September to 55.8 and we believe services PMI will increase further in October to 56.2. Overall, the high PMIs support our expectation of robust growth for H2 in the euro area.

  On Wednesday, we are due to get German ifo expectations, which we expect to rise further to 107.9 in October, in line with the improved economic expectations indicated by the ZEW October release last week.

- In the **UK**, we are set to get the first estimate of Q3 GDP growth on Wednesday. According to the soft economic indicators released so far, GDP growth was around 0.3-0.4% q/q, with 0.4% being our estimate. We do not get subcomponents but it is likely growth was held back by a combination of negative real wage growth and Brexit uncertainties, which have slowed private consumption growth and business investment growth, respectively.

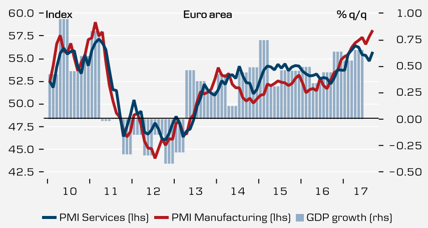
  As the EU has today decided *not* to proceed to phase 2 of the Brexit negotiations (as expected), watch out for headlines next week on forthcoming negotiation rounds.

Core capex has rebounded



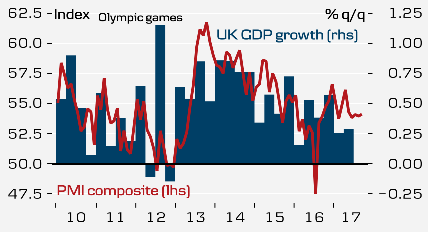
Source: Census Bureau, Macrobond Financial

Euro area PMIs point to continuing robust growth in H2 17



Source: Markit, Eurostat, Danske Bank

UK GDP growth was around 0.3-0.4% q/q in Q3, according to soft indicators



Source: ONS, IHS Markit, Macrobond Financial

- The key focus in China next week will continue to be the 19th Congress of the Communist Party and presentation of the new Standing Committee (SC) of the Politburo. The Congress ends on Tuesday and the day after, we will know the new SC. Xi Jinping is likely to have more of his 'own' people in the SC. It will be interesting to see whether the number of members is kept unchanged at seven or reduced to keep power on fewer hands supportive of Xi Jinping. We will also know whether the 'seven up, eight down' informal rule will be respected. It says that a member of the SC can stay on if he's 67 or under but retires if the age of 68 has been reached. If the rule is respected, five out of seven members will be replaced. Also in focus will be whether Xi Jinping will designate a successor to take over when he is due to step down in 2022. For more, see *Research – Why the Party Congress is key for China's road ahead*, 3 October.

  On the data front, in China we have industrial profits and property prices. Profit growth is likely to have stayed robust around 20% y/y due to decent activity and rising producer prices. However, we look for more slowing of property price inflation. Home sales for September pointed to further slowing in demand, as y/y growth moved into negative territory for the first time since early 2015.

  In **Japan**, we get September inflation figures on Friday. Inflation has been ticking upward this year but it has been driven primarily by energy prices. The underlying price pressure in Japan is still very low. On Tuesday, we also get manufacturing PMI for October. The manufacturing sector has been looking strong lately, driven by the global economic recovery, and the September survey landed at 52.9.

Scandi

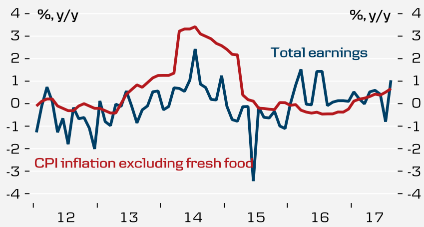
In **Denmark**, there is little on the agenda in the coming week but it will be interesting to see what happens to consumer confidence on Monday. The indicator has generally been upward bound this year but has softened over the past two months, after hitting a two-year high in July. We expect it to be more or less unchanged in October at 7.5. Foreign portfolio investments and securities statistics for September follow on Friday.

- Next week (Wednesday 25 and Thursday 26), the **Swedish** Debt Office and the Riksbank, respectively, are due to release new forecasts. In the period since the previous Debt Office forecast (June to September), actual borrowing has been SEK35bn less than projected. The spontaneous conclusion is that the Debt Office will lower the borrowing forecast and scale back bond supply, something that would work against our strategic idea. However, there are a couple of factors that must be considered as well: fiscal policy and on-lending to the Riksbank. The government has proposed SEK40bn instead of the Debt Office assumed SEK15bn in unfinanced fiscal stimulus, i.e. SEK25bn more than assumed. Another assumption (due to signals from government) was that refinancing on maturing foreign currency loans for on-lending to the Riksbank would stop as from 2018. Therefore, in order to preserve some market presence in foreign markets, it decided to borrow SEK17bn for its own account in 2018 and, accordingly, to reduce domestic borrowing by the same amount. Now, this assumption is no longer valid, refinancing of Riksbank loans will continue for the time being, so the SEK17bn can be transferred back to domestic borrowing. This creates a sort of 'buffer' of SEK25bn – SEK17bn = SEK42bn to preserve issue volumes in nominal bonds unless it makes a very sizeable reduction in the underlying borrowing requirement.

Chinese housing market slowing

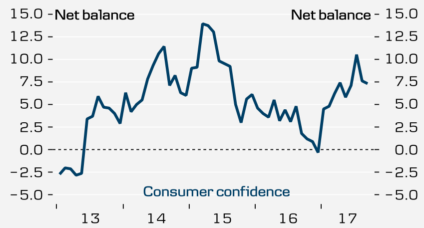
Source: Macrobond Financial, NBS China, Danske Bank

Underlying price pressure still very low



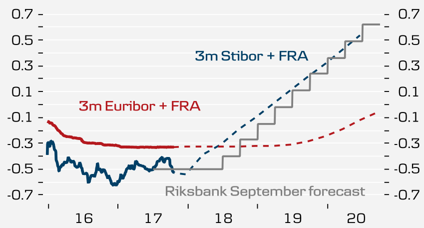
Source: Japan Statistics Bureau, Japanese Ministry of Labour, Macrobond Financial

Consumer confidence has fallen for the past two months



Source: Statistics Denmark

Will discussion about housing risks start affecting pricing?

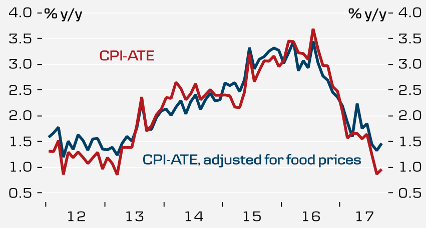


Source: Riksbank, Macrobond Financial, Danske Bank

Our tactical view on Swedish rates is based on the assumption that the Riksbank ends QE (but continues to reinvest coupons) by year-end end but that the announcement will wait until the December policy meeting. This would allow the Riksbank to weigh up what the ECB says about its QE programme after year-end. During the life of the QE programme, the net supply of government bonds to private investors has been negative, thereby squeezing the time premium across the curve but mostly in longer maturities. Provided that the Riksbank stops QE, net supply would shift to positive and this supply would have to be absorbed by private investors (i.e. rather than the Riksbank). In our minds, this will require a gradual increase in risk premiums – in other words, gradually higher rates and a steeper curve. We think this will also affect the swap curve (and real rate yields curve) in a similar fashion. We do not expect any change to the repo rate forecast. One thing to monitor though is whether anything more specific is mentioned in the report regarding recent signals of a cooling housing market but maybe this is an issue that is more likely to be raised in the next minutes (9 November).

- In **Norway**, we do not expect any changes to interest rates at Norges Bank's meeting on Thursday. This is only an 'interim' meeting, with no new monetary policy report or press conference, just a press release. Traditionally, it has taken a big change in the outlook for Norges Bank to touch interest rates or put out any new signals at all at such meetings. Since the previous 'full' meeting in September, data have been somewhat on the weak side but nowhere near bad enough for Norges Bank to have changed its stance in only a little over a month, especially as some of this weakness is on the back of a period of very strong data, particularly in manufacturing. While inflation was also somewhat lower than expected in September, this was due almost entirely to lower food prices rather than a broad-based slowdown in prices. In addition, although unemployment now seems to be falling slightly more slowly than earlier this year, this is probably no more than Norges Bank expected. The October telephone round of the regional network survey (not a full report) also revealed little change in firms' expectations since August.

Inflation pulled down by food prices



Source: Danske Bank, Macrobond Financial

Market movers ahead

Global movers				Event		Period	Danske	Consensus	Previous
During the week		Sat 21	USD	Fed Chair Yellen (neutral) speaks					
Mon	23-Oct	3:30	CNY	Property prices	y/y				
Tue	24-Oct	2:30	JPY	Nikkei Manufacturing PMI, preliminary	Index	Oct			52.9
		10:00	EUR	PMI manufacturing, preliminary	Index	Oct	**58.1**	*57.7*	58.1
		15:45	USD	Markit PMI manufacturing, preliminary	Index	Oct	**53.5**	*53.0*	53.1
Wed	25-Oct	10:00	DEM	IFO - expectations	Index	Oct	**107.9**	*107.3*	107.4
		10:30	GBP	GDP, preliminary	q/q|y/y	3rd quarter	**0.4%|1.5%**	*0.3%|1.4%*	0.3%|1.5%
		14:30	USD	Core capital goods orders, preliminary	%	Sep	**0.2%**	*0.2%*	1.1%
Thurs	26-Oct	13:45	EUR	ECB's monthly asset purchase target	EUR bn	Oct	**30**		60
		14:30	EUR	ECB's Draghi speaks at press conference				*0*	0
Fri	27-Oct	1:30	JPY	CPI - national	y/y	Sep		*0.7%*	0.7%
		3:30	CNY	Industrial profits	y/y	Sep			24.0%
		14:30	USD	GDP, 3rd release, preliminary	q/q AR	3rd quarter	**2.0%**	*2.5%*	3.1%
Scandi movers									
Wed	25-Oct	9:30	SEK	Central Government Borrowing Forecast					
Thurs	26-Oct	8:00	NOK	Unemployment (LFS)	%	Aug			4.2%
		9:30	SEK	Riksbank, rate decision	%		**-0.5%**		-0.5%
		10:00	NOK	Norges Banks monetary policy meeting	%		**0.5%**		0.5%

Source: Bloomberg, Danske Bank Markets

Global Macro and Market Themes

Goldilocks in risk assets?

1. **Synchronised global recovery.** All regions of the world are participating in the global recovery currently as growth is robust in the US, euro area, China and Emerging Markets outside China. This is reflected in record high OECD business confidence that is set to drive an investment boom across the world (see Chart 1). The global rebound has ignited a double-digit expansion in profits due to rising demand and growth in producer price inflation.

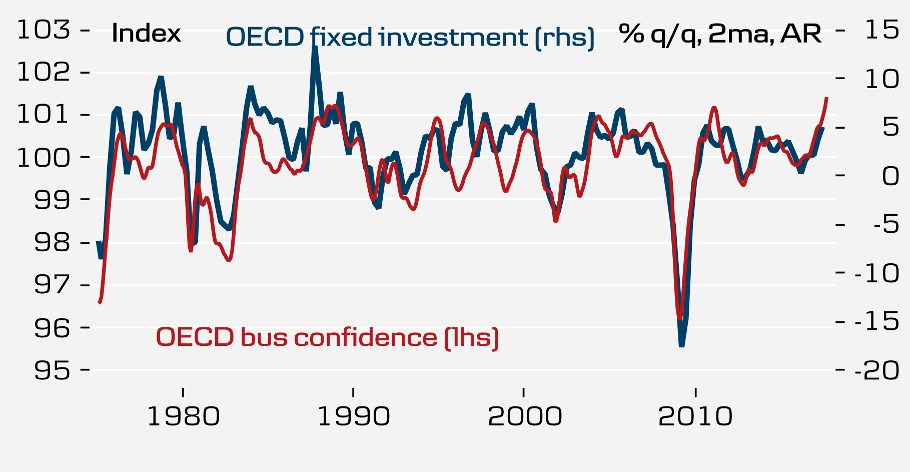
2. **Few global imbalances.** Although the global recovery is maturing, there are still no significant imbalances that require any adjustment period. A recession tends to follow a period of overinvestment and/or overconsumption. We do not see this happening in the US or Europe. In China, one could argue that investment levels are too high but we believe the government can sustain this for another three to five years.

3. **Subdued core inflation keeps central banks in check.** While producer price inflation has picked up, it has not spilled over to consumer price inflation pressure. Core inflation is generally low, which is keeping the central banks on a cautious normalisation path.

4. **Low return on safe assets.** The low rate environment continues to drive a search for yield in risk assets. Lower long-term neutral policy rates increase discounted cash flows of future profits and thus justify higher equity price/earnings ratios.

5. **Low tail risks.** The risk picture is muted, with North Korea being the main risk. A US-China trade war is also not on the radar this year as was feared previously.

Chart 1: Record strong business confidence to drive global capex recovery

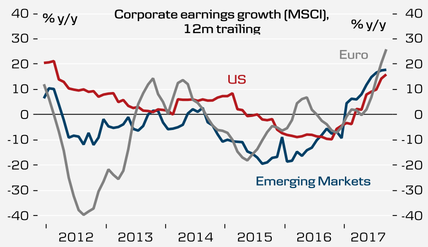


Source: Macrobond Financial, Danske Bank

Key points

- Risk assets are supported by a long list of favourable factors – not least of all strong profit growth and cautious central banks.
- A moderate slowdown in China would cause some headwind for EM assets – but should not derail global recovery.
- Bond yields and EUR/USD to stay range-bound in the short term.

Chart 2: Strong profit growth



Source: MSCI, Macrobond Financial, Danske Bank

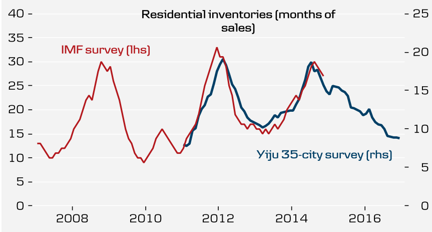
Hence, although risk assets have performed well, we continue to see further moderate upside in equities in the medium to long term. So far, market corrections have been fairly shallow as investors are quick to buy into any weakness. As long as the recovery continues and risks are muted, we expect this pattern to continue. The Catalan issue has raised concerns in Spain recently. However, these developments are not likely to have any material impact on growth and profits and should thus only lead to a temporary dip in the market.

Could China spoil the fun? Signs of slowdown materialising

The main candidate to take the air out of the global recovery is China. We expect the economy to slow down over the next year but only moderately, see *China Outlook: Moderate slowdown and CNY stabilisation*, 13 October 2017. However, it will provide less of a tailwind for global markets – not least in Emerging Market (EM) assets where performance has been strong, fuelled in part by the strong pickup in the Chinese economy. History suggests that falling economic momentum in China can trigger corrections in EM (Chart 4). We expect EM to be supported by the search for yield behaviour, still attractive valuations and generally good fundamentals. However, with China slowing, the risk-reward is less favourable (see also *Emerging Markets Briefer: Emerging Markets at a crossroad – mind the risks*, 29 September 2017).

Chinese home sales for September released this week added to evidence that a moderate slowdown is in the pipeline (Chart 5). We have argued for this for some time based on financial tightening and a range of regulatory measures implemented to cool the housing market. The reason we look for only a moderate slowdown of the Chinese economy is that residential inventories are generally at a low level and that the export sector should do fine due to continued growth momentum in the US and the euro area. Private manufacturing investments are also likely to pick up, as China's profit growth has been strong this year. So, even though China is set to slow down, we do not expect it to derail the global recovery.

Chart 3: Low inventories to cushion construction slowdown in China

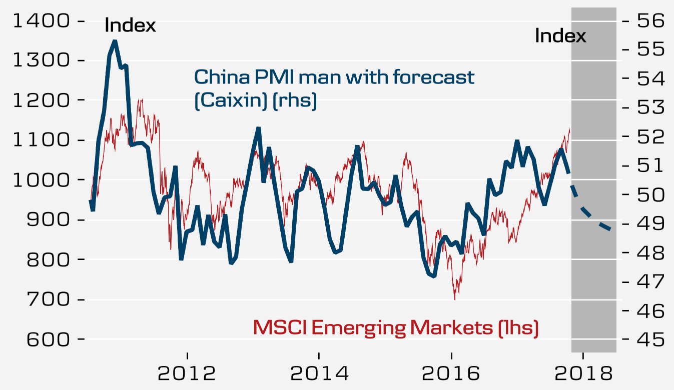


Source: IMF, EM Advisors Group, Danske Bank

Fixed income and FX markets looking to the ECB next week

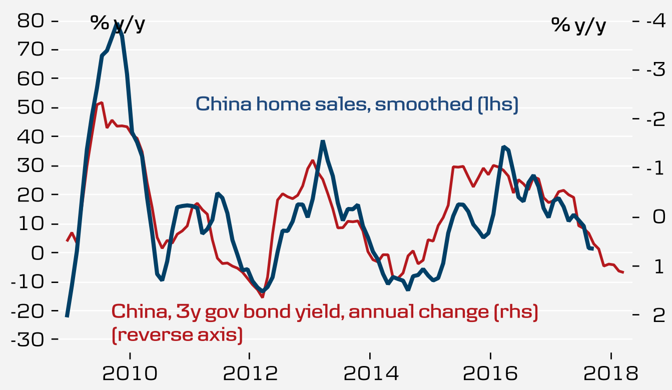
While the current environment is favourable for risk assets, where does that leave bond yields? We have argued for range-trading for the rest of 2017 for some time and continue to see bond yields remaining mostly unchanged over coming quarters. While central bank tightening – all else being equal – points to higher bond yields, there are other forces keeping bond yields in check. First, we are probably close to the peak in ISM manufacturing in the US. Of the past 11 bond bear markets, only one has taken place when ISM was declining (2006)Bond yields tend to rise the most in the acceleration part of the cycle and then move sideways or even decline subsequently. This is also what we have seen this year. Also, there is a very strong search for yield behaviour pushing investors out on the yield curve, creating demand for long bonds. Finally, we expect the slowdown in China to cap the upward pressure on inflation as it would put a lid on demand for commodities. China consumes 50% of global metals and is thus a major driver of metals markets. The upward trend in commodity prices that started in early 2016 is therefore ending in our view.

Chart 4: Slowdown in China to cause some headwind for EM



Source: Macrobond Financial, Danske Bank

Chart 5: China housing market slows as policy is tightened

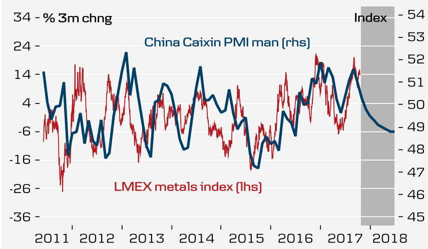


Source: Macrobond Financial, China NBS, Danske Bank

Bond and FX markets will be looking ahead to the ECB meeting on Thursday, see our *ECB preview: Ready to scale back QE*, 18 October 2017. In line with recent ECB communication, **we now look for the ECB to scale back QE to EUR30bn (from EUR40bn) but to extend it for nine months** until September 2018. On top of this, the ECB expects the reinvestment flow to be EUR15-20bn so they will continue to be a big buyer in European fixed income for most of next year. After recent ECB communication, we believe the ECB announcement will be broadly expected by markets and should have limited impact.

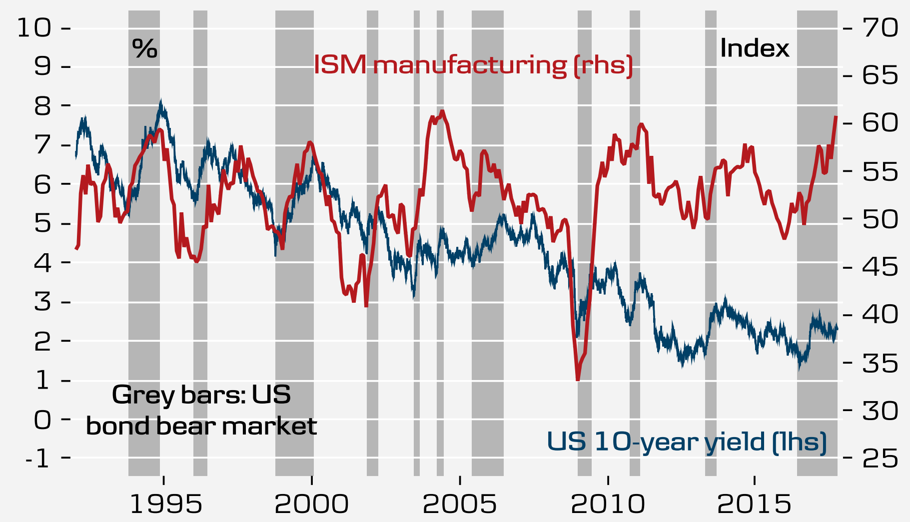
With regard to the FX market, we do not expect any significant reaction in EUR/USD, as we already saw substantial repricing of the ECB in the FX market over the summer. **We still see EUR/USD around current levels on a 1-3M horizon** with the risks skewed slightly to the downside, although any dips in EUR/USD should be shallow and short-lived. **Longer term, we continue to stress that a 2018 rebound towards 1.25** is on the cards, as upside risks still dominate the longer-term outlook.

Chart 6: Chinese slowdown to cap metal price inflation



Source: Macrobond Financial, Danske Bank

Chart 7: US bond bear markets almost only take place when ISM is rising (grey areas show bond bear markets)



Source: Macrobond Financial, Danske Bank

Global market views

Asset class	Main factors
Equities	
Positive on equities	We are positive on equities, as we think the global business cycle is still strong, risks are low and central banks are only tightening monetary policy gradually.
Bond market	
German/Scandi yields – set to stay in range for now, higher on 12M	Inflation to stay subdued despite decent growth. Stronger euro keeps euro inflation outlook down. ECB to normalise gradually only, due to lack of wage pressure and stronger euro. Focus on possible tapering, but that is more of a 2018 story.
EU curve – 2Y10Y set to steepen when long yields rise again	The ECB keeps a tight leash on the short end of the curve. With 10Y yields stable, the curve should change little on a 3-6M horizon. Risk is skewed towards a steeper curve earlier than we forecast.
US-euro spread set to widen marginally	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 relative dovish and yields should edge higher on 12M horizon.
Peripheral spreads – tightening but still some factors to watch	Economic recovery, ECB stimuli, better fundamentals, particularly in Portugal and Spain, an improved political picture and rating upgrades are expected to lead to further tightening despite the recent strong moves. Italy is the big risk factor. But very expensive to be short Italien bonds. The focus on Catalonia and its call for independence is a risk for Spanish government bonds.
FX:	
EUR/USD – consolidating near term but upside risks in 2018	EUR/USD has turned for good as ECB has reluctantly allowed 'reverse gravity' to kick in but upward momentum should wear off near term. Upside risks dominate in 2
EUR/GBP – upside risks remain but GBP to strengthen eventually	Deteriorating growth prospects and Brexit mess to keep EUR/GBP afloat near term. Downward move on Brexit clarification and valuation further out.
USD/JPY – gradually higher longer term but challenged near term	Policy normalisation at the Fed and eventually at the ECB, while BoJ is staying dovish, means support for EUR/JPY and USD/JPY alike throughout our forecast
EUR/SEK – consolidation near term, gradually lower further out	Gradually lower in the longer term on fundamentals but near term further SEK potential is limited by a cautious Riksbank.
EUR/NOK – upside risks in Q4, then gradually lower	differentials.
Commodities	
Oil price – range trading	Bouncing on Iraqi-Kurdish tensions. OPEC mulling 9M extension of cuts to end-2018
Metal prices – to fall back	Short-lived rally ahead of Chinese National Party Congress - sentiment likely to turn negative again as China is set to slow again after congress.
Gold price – range-bound	Tug of war between safe haven demand from rising global geopolitical tensions and negative impact from hawkish Federal Reserve.
Agriculturals – trending higher	Weather related supply concerns supporting prices.

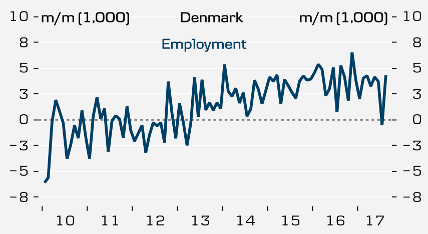
Source: Danske Bank

Scandi Update

Denmark – employment back on track

Statistics Denmark's employment figures for August showed an increase of 4,300 people m/m and revised the decrease in July to just 500 people. It would therefore appear that employment is back on track in terms of the gains seen earlier in the year, and we expect further job creation during the rest of the year. Elsewhere, retail sales climbed from August to September. Consumer spending has been relatively flat recently, so it would be great news if this does indeed herald a turnaround.

Employment on the up again



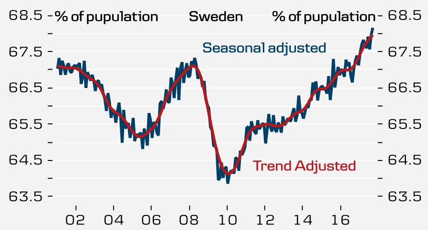
Source: Statistics Denmark, Macrobond Financial

Sweden – super strong labour market

Although the September unemployment rate turned out a bit higher than expected (6.8% versus 6.5% expected) it is hard to be bearish. The reason for the rise is positive, i.e. a strong increase in the labour force (151,000 persons y/y), which outweighs employment growth even though employment is increasing rapidly too (136,000 persons y/y), expanding at a hefty 2.8% y/y.

Looking at seasonally-adjusted figures, both the participation and employment rates reached new highs at 73.1% and 68.2% respectively. This is impressive and implies that household income continues to grow. That said, the bulk of this growth is likely to be in the low wage/low income segment.

Employment rate at record highs!

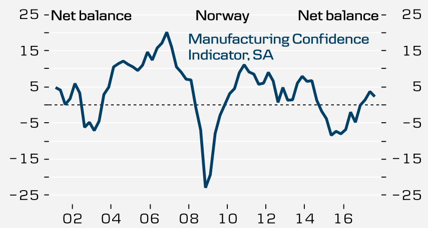


Source: Statistics Sweden, Macrobond Financial

Norway – no slowdown

Economic data has been on the weak side in recent weeks, with an unexpected dip in the PMI to 52.5 in September and industrial production falling 5.7% m/m in August. This has sparked fresh uncertainty about the manufacturing outlook – and so the economy more generally – after activity in oil-related industries appeared to be picking up. Therefore, it was a relief that the Q3 manufacturing tendency survey showed only a modest slowdown in industrial activity. Nor was there anything in the telephone round of Norges Bank's regional network survey to indicate that growth is slowing. This means that we are sticking to our forecast that growth will remain above trend for the rest of this year and next, with the result that capacity utilisation is set to rise, unemployment to fall, wage growth to pick up and inflation to climb gradually – so interest rates could start to go up late next year.

Industrial activity holding up



Source: Statistics Norway, Macrobond Financial

Latest research from Danske Bank Markets

19/10 Research Japan: Abe set for another term despite declining public support

PM Abe's LDP close to maintaining single party majority in Lower House

18/10 Flash Comment China - Xi Jinping lays out path of further reform and opening

The 19th Congress of the Communist Party opened overnight with Xi Jinping presenting the so-called work report.

18/10 ECB Preview: Ready to scale back QE

In line with recent ECB communication which points to a preference for a 'lower for longer' scenario, we change our call and now expect the ECB to announce a QE extension by nine months at a pace of EUR30bn at the 26 Oct meeting

17/10 FX Forecast Update: Central bank meetings to take the spotlight

Monthly FX Forecast Update for October.

Macroeconomic forecast

Macro forecast, Scandinavia

	Year	GDP[1]	Private cons.[1]	Public cons.[1]	Fixed inv.[1]	Stock build.[2]	Exports[1]	Imports[1]	Inflation[1]	Unemploym.[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	0.3	4.2	-0.6	37.7	7.3
	2017	2.4	1.9	1.0	2.6	0.1	5.0	4.7	1.1	4.4	-0.9	35.6	8.3
	2018	2.0	2.3	0.5	4.3	0.0	2.8	3.6	1.1	4.3	-0.7	34.4	7.8
Sweden	2016	3.1	2.1	3.0	5.2	0.0	2.9	2.9	1.0	6.9	1.1	4.2.2	4.5
	2017	3.1	2.3	0.6	8.0	0.0	3.4	5.0	1.9	6.7	0.3	39.5	4.8
	2018	2.0	1.4	1.6	3.1	0.0	3.3	3.3	1.7	6.6	0.0	39.3	5.2
Norway	2016	1.0	1.5	2.1	-0.2	1.4	-1.8	2.3	3.6	3.0	-	-	-
	2017	2.0	2.5	1.8	3.6	0.2	1.0	4.5	2.0	2.7	-	-	-
	2018	2.3	2.4	2.1	2.0	-0.1	1.5	0.7	1.6	2.5	-	-	-

Macro forecast, Euroland

	Year	GDP[1]	Private cons.[1]	Public cons.[1]	Fixed inv.[1]	Stock build.[2]	Exports[1]	Imports[1]	Inflation[1]	Unemploym.[3]	Public budget[4]	Public debt[4]	Current acc.[4]
Euroland	2016	1.8	2.0	1.8	4.3	-	3.3	4.6	0.2	10.0	-1.5	89.2	3.4
	2017	2.1	1.7	1.2	2.7	-	4.5	4.0	1.5	9.1	-1.4	88.8	3.0
	2018	1.5	1.3	1.2	3.8	-	3.3	4.0	1.1	8.5	-1.3	88.5	2.9
Germany	2016	1.9	2.1	3.7	2.0	-	2.6	3.7	0.4	4.2	0.8	68.3	8.5
	2017	2.1	2.1	1.6	4.2	-	4.0	4.8	1.7	3.8	0.5	65.8	8.0
	2018	1.7	1.6	1.9	4.3	-	3.3	5.1	1.4	3.8	0.3	63.3	7.6
France	2016	1.2	2.3	1.3	2.7	-	1.8	4.2	0.3	10.0	-3.4	96.0	-2.3
	2017	1.6	1.0	1.2	3.3	-	2.9	3.8	1.1	9.5	-3.0	96.4	-2.4
	2018	1.2	1.0	1.1	3.0	-	3.3	3.6	1.1	9.4	-3.2	96.7	-2.5
Italy	2016	0.9	1.5	0.5	3.0	-	2.4	3.3	-0.1	11.7	-2.4	132.6	2.6
	2017	1.4	1.4	0.8	2.1	-	4.6	5.6	1.4	11.3	-2.1	133.1	1.9
	2018	1.3	1.1	0.6	3.7	-	2.7	3.7	1.1	10.8	-2.2	132.5	1.7
Spain	2016	3.3	2.9	0.8	3.3	-	4.8	2.7	-0.3	19.6	-4.5	99.4	1.9
	2017	3.0	2.6	1.0	4.5	-	5.6	4.6	1.9	17.3	-3.1	99.2	1.6
	2018	2.1	2.3	1.1	3.9	-	3.2	4.4	0.9	16.0	-2.5	98.5	1.6
Finland	2016	1.9	1.8	1.2	7.2	-	1.3	4.4	0.4	8.8	-1.9	63.1	-1.4
	2017	2.8	2.0	-0.2	8.5	-	8.0	5.0	0.7	8.5	-2.1	63.0	-0.4
	2018	1.8	1.5	0.2	3.0	-	4.0	3.0	1.1	8.0	-1.1	62.4	-0.4

Macro forecast, Global

	Year	GDP[1]	Private cons.[1]	Public cons.[1]	Fixed inv.[1]	Stock build.[2]	Exports[1]	Imports[1]	Inflation[1]	Unemploym.[3]	Public budget[4]	Public debt[4]	Current acc.[4]
USA	2016	1.5	2.7	0.8	0.7	-0.4	-0.3	1.3	1.3	4.9	-3.2	105	-2.4
	2017	2.1	2.6	0.0	4.1	-0.1	3.1	3.8	1.9	4.5	-2.9	106	-2.7
	2018	2.3	2.1	1.0	4.9	0.0	2.5	2.9	1.7	4.3	-2.7	107	-3.3
China	2016	6.7	-	-	-	-	-	-	2.0	4.1	-3.0	46.3	2.4
	2017	6.8	-	-	-	-	-	-	2.0	4.3	-3.3	49.9	2.1
	2018	6.3	-	-	-	-	-	-	2.0	4.3	-3.0	53.3	1.5
UK	2016	1.8	2.9	1.1	1.3	0.2	1.1	4.3	0.7	4.9	-2.9	89.3	-4.4
	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 vsSEK
USD	20-Oct	1.25	1.36	1.81	2.34	118.2	-	814.5
	+3m	1.50	1.60	1.85	2.35	118.0	-	805.1
	+6m	1.50	1.73	1.95	2.45	122.0	-	770.5
	+12m	1.75	1.96	2.25	2.70	125.0	-	744.0
EUR	20-Oct	0.00	-0.33	-0.18	0.88	-	118.2	962.3
	+3m	0.00	-0.33	-0.10	0.95	-	118.0	950.0
	+6m	0.00	-0.33	-0.05	1.05	-	122.0	940.0
	+12m	0.00	-0.33	0.00	1.20	-	125.0	930.0
JPY	20-Oct	-0.10	-0.04	0.04	0.26	133.8	113.2	7.19
	+3m	-0.10	-	-	-	134.5	114.0	7.06
	+6m	-0.10	-	-	-	140.3	115.0	6.70
	+12m	-0.10	-	-	-	145.0	116.0	6.41
GBP	20-Oct	0.25	0.38	0.80	1.32	90.1	131.2	1068.3
	+3m	0.50	0.52	0.90	1.45	88.0	134.1	1079.5
	+6m	0.50	0.53	0.95	1.55	87.0	140.2	1080.5
	+12m	0.50	0.53	1.10	1.80	86.0	145.3	1081.4
CHF	20-Oct	-0.75	-0.73	-0.54	0.28	115.9	98.1	830.3
	+3m	-0.75	-	-	-	115.0	97.5	826.1
	+6m	-0.75	-	-	-	118.0	96.7	796.6
	+12m	-0.75	-	-	-	123.0	98.4	756.1
DKK	20-Oct	0.05	-0.31	-0.05	1.07	744.4	630.0	129.3
	+3m	0.05	-0.30	0.05	1.15	744.3	630.7	127.6
	+6m	0.05	-0.30	0.10	1.25	744.3	610.0	126.3
	+12m	0.05	-0.30	0.20	1.45	744.5	595.6	124.9
SEK	20-Oct	-0.50	-0.53	-0.22	1.16	962.3	814.5	100.0
	+3m	-0.50	-0.45	-0.25	1.30	950.0	805.1	-
	+6m	-0.50	-0.45	-0.20	1.50	940.0	770.5	-
	+12m	-0.50	-0.45	-0.05	1.75	930.0	744.0	-
NOK	20-Oct	0.50	0.83	1.08	1.93	940.1	795.7	102.4
	+3m	0.50	0.80	1.10	1.95	950.0	805.1	100.0
	+6m	0.50	0.80	1.15	2.05	920.0	754.1	102.2
	+12m	0.50	0.90	1.35	2.40	910.0	728.0	102.2

Equity markets

Regional		Risiko profil 3 mdr.	Pris trend 3 mdr.	Pris trend 12 mdr.	Regionale rekommen-dationer
USA (USD)	Higher yields, USD stabilize	Medium	5-10%	10-15%	Underweight
Emerging markets (local ccy)	Hurt by stronger USD	Medium	-5-0%	-5-+5%	Underweight
Japan (JPY)	Earnings and currency support	Medium	5-10%	10-15%	Overweight
Euro area (EUR)	Stronger EPS and GDP momentum	Medium	0-5%	0-5%	Overweight
UK (GBP)	Currency support, Brexit looms	Medium	3-8%	5-10%	Neutral
Nordics (local ccy)	Earnings and currency support	Medium	3-8%	5-10%	Overweight

Commodities

		2017				2018				Average	
	20-Oct	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2017	2018
NYMEX WTI	51	52	48	48	52	55	57	58	59	50	57
ICE Brent	57	55	51	52	54	56	57	58	59	53	58
Copper	6,967	5,855	5,670	6,383	6,250	6,250	6,250	6,100	6,100	6,040	6,175
Zinc	3,114	2,789	2,580	2,961	2,900	2,800	2,700	2,600	2,500	2,808	2,650
Nickel	11,740	10,321	9,230	10,594	10,000	10,500	10,750	11,000	11,000	10,036	10,813
Aluminium	2,153	1,858	1,910	2,027	1,950	1,900	1,875	1,850	1,825	1,936	1,863
Gold	1,283	1,219	1,260	1,279	1,250	1,250	1,250	1,250	1,250	1,252	1,250
Matif Mill Wheat	162	170	168	164	170	167	165	163	163	168	165
Rapeseed	367	415	375	368	380	380	380	380	375	384	379
CBOT Wheat	433	429	435	455	475	500	510	520	530	449	515
CBOT Soybeans	988	1,021	944	965	975	1,000	1,025	1,050	1,050	976	1,031

Source: Danske Bank Markets

Calendar

Key Data and Events in Week 43

		During the week		Period	Danske Bank	Consensus	Previous
Sat 21	USD	Fed Chair Yellen (neutral) speaks					
Monday, October 23, 2017				Period	Danske Bank	Consensus	Previous
3:30	CNY	Property prices	y/y				
7:00	JPY	Leading economic index, final	Index	Aug			106.8
9:00	DKK	Consumer confidence	Net. bal.	Oct	7.5		7.3
16:00	EUR	Consumer confidence, preliminary	Net bal.	Oct		-1.1	-1.2
Tuesday, October 24, 2017				Period	Danske Bank	Consensus	Previous
2:30	JPY	Nikkei Manufacturing PMI, preliminary	Index	Oct			52.9
8:45	FRF	Business confidence	Index	Oct		109.0	109.0
9:00	FRF	PMI manufacturing, preliminary	Index	Oct		55.8	56.1
9:00	FRF	PMI services, preliminary	Index	Oct		56.8	57.0
9:30	DEM	PMI manufacturing, preliminary	Index	Oct		60.0	60.6
9:30	DEM	PMI services, preliminary	Index	Oct		55.6	55.6
10:00	EUR	PMI manufacturing, preliminary	Index	Oct	58.1	57.7	58.1
10:00	EUR	PMI composite, preliminary	Index	Oct		56.5	56.7
10:00	EUR	PMI services, preliminary	Index	Oct	56.2	55.8	55.8
14:00	HUF	Central Bank of Hungary rate decision	%		0.9%	0.9%	0.9%
15:45	USD	Markit PMI manufacturing, preliminary	Index	Oct	53.5	53.0	53.1
15:45	USD	Markit PMI service, preliminary	Index	Oct	55.3	55.0	55.3
Wednesday, October 25, 2017				Period	Danske Bank	Consensus	Previous
-	EUR	European Commission Economic Forecasts					
-	CNY	Presentation of new Standing Committee in Politburo					
2:30	AUD	CPI	q/q|y/y	3rd quarter		0.8%|2.0%	0.2%|1.9%
9:00	SEK	Consumer confidence	Index	Oct	100.0		101.8
9:00	SEK	Economic Tendency Survey	Index	Oct			113.8
9:00	SEK	Manufacturing confidence	Index	Oct	120.0		124.6
9:30	SEK	Central Government Borrowing Forecast					
10:00	DEM	IFO - business climate	Index	Oct		115.0	115.2
10:00	DEM	IFO - current assessment	Index	Oct		123.5	123.6
10:00	DEM	IFO - expectations	Index	Oct	107.9	107.3	107.4
10:30	GBP	GDP, preliminary	q/q|y/y	3rd quarter	0.4%|1.5%	0.3%|1.4%	0.3%|1.5%
10:30	GBP	Index of services	m/m|3m/3m	Aug		0.3|0.4	-0.2|0.5
14:30	USD	Core capital goods orders, preliminary	%	Sep	0.2%	0.2%	1.1%
15:00	USD	FHFA house price index	m/m	Aug		0.4%	0.2%
16:00	CAD	Bank of Canada rate decision	%		1.0%	1.0%	1.0%
16:00	USD	New home sales	1000 (m/m)	Sep		550	560.0 (-3.4%)
16:30	USD	DOE U.S. crude oil inventories	K				-5731

Source: Danske Bank Markets

Calendar (continued)

Thursday, October 26, 2017				Period	Danske Bank	Consensus	Previous
8:00	NOK	Unemployment (LFS)	%	Aug			4.2%
8:00	DEM	GfK consumer confidence	Net. Bal.	Nov		*10.8*	10.8
9:30	SEK	PPI	m/m|y/y	Sep			-0.8%|3.8%
9:30	SEK	Riksbank, rate decision	%		**-0.5%**		-0.5%
9:30	SEK	Household lending	y/y	Sep	**7.0%**		7.1%
9:30	SEK	Trade balance	SEK bn	Sep	**2.0**		-5.4
10:00	NOK	Norges Banks monetary policy meeting	%		**0.5%**		0.5%
10:00	EUR	Money supply (M3)	y/y	Sep		*5.0%*	5.0%
10:00	EUR	Loans to households (adj. for sales and sec.)	%	Sep		*5.0%*	5.0%
10:00	EUR	Loans to NFCs (adj. for sales and sec.)	%	Sep		*5.0%*	5.0%
13:00	TRY	Central Bank of Turkey rate decision	%		**8.0%**		8.0%
13:45	EUR	ECB announces refi rate	%		**0.00%**	*0.00%*	0.00%
13:45	EUR	ECB announces deposit rate	%		**-0.40%**	*-0.40%*	-0.40%
13:45	EUR	ECB's monthly asset purchase target	EUR bn	Oct	**30**		60
14:30	USD	Initial jobless claims	1000				
14:30	USD	Advance goods trade balance	USD bn	Sep		*-64.0*	-63.3
14:30	EUR	ECB's Draghi speaks at press conference				*0*	0
16:00	USD	Pending home sales	m/m|y/y	Sep		*0.3%|...*	-2.6%|-3.1%
Friday, October 27, 2017				**Period**	**Danske Bank**	**Consensus**	**Previous**
-	EUR	S&P may publish Germany's debt rating					
-	EUR	S&P may publish Italy's debt rating					
-	EUR	Fitch may publish Netherlands's debt rating					
-	EUR	Moody's may publish Netherlands's debt rating					
-	EUR	Moody's may publish Finland's debt rating					
1:30	JPY	CPI - national	y/y	Sep		*0.7%*	0.7%
1:30	JPY	CPI - national ex. fresh food	y/y	Sep		*0.7%*	0.7%
3:30	CNY	Industrial profits	y/y	Sep			24.0%
8:45	FRF	Consumer confidence	Index	Oct		*101.0*	101.0
9:00	DKK	CB's securities statistics		Sep			
9:00	DKK	Foriegn portfolio investments		Sep			
9:30	SEK	Retail sales s.a.	m/m|y/y	Sep	**0.5%|3.5%**		-0.1%|2.8%
10:00	EUR	ECB's survey of professional forecasters					
12:30	RUB	Central Bank of Russia rate decision	%		**8.25%**	*8.3%*	8.5%
14:30	USD	GDP, 3rd release, preliminary	q/q AR	3rd quarter	**2.0%**	*2.5%*	3.1%
14:30	USD	PCE core, preliminary	q/q AR	3rd quarter		*1.3%*	0.9%
16:00	USD	University of Michigan Confidence, final	Index	Oct		*101.0*	101.1

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

Source: Danske Bank Markets

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