

Weekly Focus Sweden

Elections set the agenda in Europe

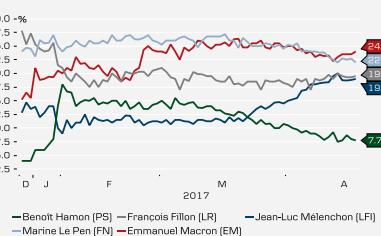
Market movers ahead

- There are no clear favourites in the first round of the French presidential elections, in which several candidates are EU sceptics.
- The ECB meets during the week and will probably take the opportunity to dampen the expectations of higher rates that came in the wake of the March meeting.
- Euro-area inflation will probably rise slightly in April, but nowhere near enough for the ECB to start tightening monetary policy.
- Confidence indicators have been pointing to strong growth in the US in 2017, but hard data have been more subdued, so there is strong interest in the GDP numbers for Q1.
- In Sweden, the Riksbank is expected to announce that it will not be extending its asset purchase programme even though inflation remains low.

Global macro and market themes

- Elections in Europe come against the backdrop of the global business cycle looking to lose momentum.
- First round of French presidential elections too close to call.
- Relief rally expected if mainstream candidates go to second round.
- A run-off between Marine Le Pen and Jean-Luc Mélenchon cannot be precluded and could set off a major market correction.
- The UK election is likely to strengthen Theresa May's hand in the upcoming Brexit negotiations.

Anything could happen in the French elections



Inflation still too low



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Financial views

Major indices

	21-Apr	3M	12M
10yr EUR swap	0.73	0.75	1.25
EUR/USD	107	106	114
ICE Brent oil	56	53	61
	21-Apr	6M	12-24M
S&P500	2356	5-10%	10-15%

Source: Danske Bank

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Market movers

Global

- In the US, the coming week brings GDP figures for Q1 on Friday. Private consumption has for a long time been the main growth driver, while business investments have pulled down overall growth. However, investments are now contributing positively to growth again and we believe this continued in Q1 given the very high level of manufacturing confidence and that core capex investments are increasing. Private consumption has been helped on the way by growth in real wages and high consumer confidence. Although real wage growth has recently turned negative, the high level of consumer confidence should be indicative of continued progress in private consumption. Overall, we have seen a divergence between ‘hard’ and ‘soft’ data in recent months, when soft data has been strong and hard data weak. Whereas the Fed Atlanta GDP nowcast shows growth in Q1 of 0.5% q/q AR, soft data indicates growth in the region of 1.5-2.0%. We expect to land somewhere in between and forecast GDP growth of 1.0% q/q AR in Q1.

With the GDP release, we are also due to get PCE core inflation for Q1. If the current trend in monthly PCE core increases continues (implying increases of around 0.1% m/m), PCE core inflation would come in at 2.2% q/q AR. However, due to very weak CPI figures for March, our models actually point to slightly negative growth in PCE in March, which would imply that PCE inflation should come in at 2.0% q/q AR. However, note that although this may give the impression that inflation has reached its target, the Fed is more concerned about PCE core inflation y/y, which will be significantly below 2% almost no matter what the March print comes in at.

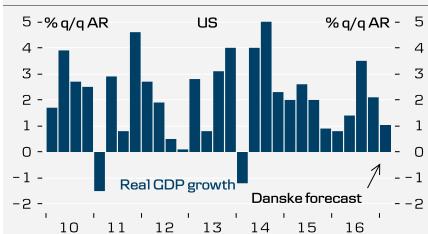
The week also brings Conference Board and University of Michigan consumer confidence on Tuesday and Friday, respectively – both for April. Both indicators are at very high levels and, although we do not expect to see a significant decline, we would also not be surprised to see small declines given their historically high levels (both are currently at higher levels than in the years preceding the financial crisis).

Finally, core capital goods orders are due on Thursday. Although the oil price has not increased in 2017, manufacturing confidence is very high, indicating tail winds to core capital goods orders.

The coming week also brings a number of speeches by FOMC members with focus on quantitative tightening (see *FOMC Minutes: Quantitative tightening is moving closer, 5 April*).

- There are a number of events due in the **euro area** over the coming week, including the first round of the French presidential election to be held this Sunday. Ahead of the vote, the race between the four leading candidates – Marine Le Pen, Emmanuel Macron, François Fillon and Jean-Luc Mélenchon – remains wide open and the outcome is likely to be tight. While Macron (at 24% in the latest poll) and Le Pen (23%) remain the favourites to enter the subsequent second round run-off on 7 May, Fillon (19%) and Mélenchon (19%) still have a realistic chance of making it to the second round. A potential run-off between the two EU sceptics Mélenchon and Le Pen seems to be the biggest risk scenario in the market at the moment. Should he qualify for the second round, opinion polls still suggest Macron would win the presidency irrespective of his opponent. However, the election outcome remains unpredictable, not least because roughly 30% of voters remain undecided. Much will also depend on the participation rate on election day and lower voter turnout, as suggested by the polls, would be likely to boost Le Pen’s chances of winning, as her supporters remain the most certain of their choice.

We estimate GDP growth was on the weak side in Q1



Source: U.S. Bureau of Economic Analysis (BEA)

Another key event is the ECB meeting on Thursday. Following the latest ECB meeting in early March, market participants have speculated about the sequencing of the ECB's exit strategy and some weeks ago, the market priced in a 10bp deposit rate hike from the ECB at the end of this year. Since then, the communication from prominent ECB members has signalled a more dovish stance and in the most recent speech from Mario Draghi he concluded '*a reassessment of the current monetary policy stance is not warranted at this stage*' (see *speech*). We expect the ECB to send the same dovish message at the coming meeting, while we believe it will stick broadly to its current introductory statement without removing some of the soft wording.

In terms of data releases, German ifo expectations are published on Monday. The figure is at a high level, pointing to strong GDP growth in Germany. The latest move higher reflects primarily better expectations for the manufacturing sector after a couple of years where these expectations moved broadly sideways. Looking ahead, we believe the overall expectations are likely to move lower, as it is hard to continue to expect a further improvement following a period of good news.

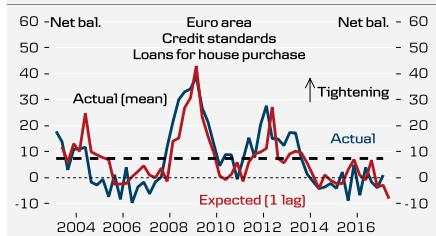
On Tuesday, the ECB's Bank Lending Survey is due for release. The latest report from January showed that loan growth continued to be supported by increasing demand across all loan categories, while credit standards (i.e. banks' internal guidelines or loan approval criteria) for loans to enterprises tightened somewhat in net terms due to banks' lower willingness to tolerate risk. On Friday, we get news about actual bank lending to the private sector with the release of the figure for March. Generally, the progress in bank lending has been important for the ECB, as it has transmitted the accommodative monetary policy to firms and households and any weakness would be likely to be a concern for the ECB.

On Friday, the euro area flash inflation figure is due for release. Following the decline in headline inflation to 1.5% y/y in March, we look for an increase to 1.7% y/y in April. In line with the fall in March, this is due mainly to the early timing of Easter in 2016, which is causing volatility in prices of package holidays. This is also reflected in core inflation, which we estimate will increase to 1.0% y/y in April from 0.7% y/y in March. Looking beyond the Easter volatility, we expect headline inflation to decrease below 1.5% y/y, as the support from the oil price fades, while core inflation should also be back around 0.8-0.9% y/y. Note that the German inflation figures are released on Thursday in advance of Draghi's press conference.

Also on Friday, the ECB's Survey of Professional Forecasters is due for release. The longer term (five-year) inflation expectations in the survey have been stable at 1.8% over the past year. This is in contrast with the market-based inflation expectations (5Y5Y inflation swap), which is one of the ECB's preferred measures for medium-term inflation. Over the past couple of months, the figure has declined from 1.8% to 1.6%, which is around the level in early 2015 when the ECB announced its QE purchases.

- In the UK, there is now one more uncertainty factor after Prime Minister Theresa May caught most people by surprise by calling for a snap election on 8 June. While the opinion polls suggest a very good result for Prime Minister May and the Conservative Party (currently around 20 percentage points ahead of Labour in most polls), the general election means that the Brexit sample space has increased (or perhaps will even been cancelled altogether should the May government be ousted by Labour, the Liberal Democrats and the SNP). For more details (see *Brexit Monitor #28: Snap election increases number of uncertainty factors*, 18 April).

Credit standards tightened in Q1



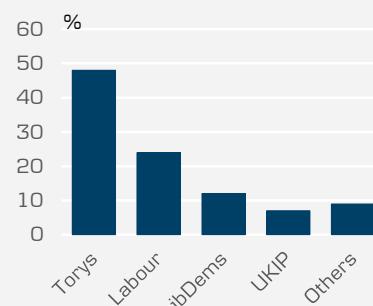
Source ECB

Technicality will increase April HICP



Source Eurostat

Conservatives enjoy a big lead in opinion polls



Source: YouGov

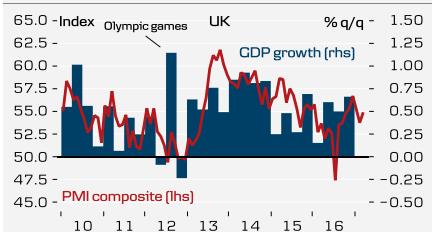
In terms of economic data releases, the first estimate of GDP growth in Q1 is due on Friday. As most indicators have weakened in Q1, we estimate GDP growth slowed from 0.7% q/q in Q4 16 to 0.4% q/q in Q1 17. In particular, the sharp increase in inflation seems to have hit consumption, as it means real wage growth is negative, leaving less scope for higher private consumption. It will also be interesting to see whether Brexit uncertainties have hit business investments. Otherwise, GfK consumer confidence and Lloyds Business Barometer (both for April) are due overnight between Wednesday and Thursday.

- **Asia** – there are no market movers due this week.

Scandi

- In **Denmark**, a variety of interesting releases is scheduled. Thursday brings business sentiment data. Manufacturing confidence has been improving recently, buoyed by stronger global growth. March retail sales are published on Tuesday. Consumer finances are increasingly being favoured by higher employment, low interest rates, rising house prices and, not least, higher real wages. Therefore, there should be scope for Danish households to continue loosening their purse strings. Unemployment numbers for March round off the week on Friday. The number of jobless has increased in recent months as a result of many immigrants previously on integration benefit being reclassified as available for work. This probably continued in March, so unemployment may have risen.
- In **Sweden**, we expect the Riksbank to announce next week that it will not extend the current QE programme, which expires at end-June, to avoid jeopardising the functionality of the Swedish government bond market. The Riksbank will own close to 40% of SGB's at that time. This said, the Riksbank may feel pressured to act again, as core inflation (CPIF excluding energy) has been declining since April last year (the March print was 1.0% y/y) and the ongoing wage round has produced wage deals at about 2% per year for the next three years, which are inconsistent with attaining the 2% inflation target. If the Riksbank does nothing, there is a significant risk that the SEK will appreciate at a faster pace than forecast, adding downside pressure on imported inflation. To balance this risk, we expect the Riksbank to flatten the repo path, postponing the first rate hike by another quarter or two. Currently, the SEK is trading more weakly than the Riksbank's forecast, so the flatter repo path is only a precautionary measure to signal that 'more stimulus is needed', rather than the opposite.
- In **Norway**, the week's big release is NAV unemployment figures for April. We will also get Labour Force Survey (LFS) data for February but we are in no doubt that the NAV numbers currently paint the best picture of the labour market given all the uncertainty about the LFS at the moment. We predict that NAV unemployment will be unchanged at 2.9% in April, which is a slight deterioration in seasonally adjusted terms but is due to data being collected early ahead of Easter. This effect also means that we expect gross unemployment to increase by 300-400 people m/m without this being a real break in the downward trend. Meanwhile, LFS unemployment has fallen sharply since summer 2016 but seemingly due to a sharp contraction in the labour supply, as the LFS has employment in decline. However, we believe there are abnormal levels of noise in the LFS data at present. Leading labour market indicators such as Norges Bank's regional network, the PMI and the Manpower Index paint a very different picture of employment from the LFS. Add in that growth indicators are clearly pointing to acceleration and the LFS increasingly seems to have gone off the rails. At some point,

UK PMIs suggest GDP growth slowed in Q1



Source: ONS, Market Economics

Manufacturers more upbeat



Source: Statistics Denmark

Riksbank to flatten repo path



Source: Danske Bank, Riksbank, Macrobond

Labour market picking up



Source: Macrobond, Danske Bank

then, we should see a strong positive correction in the labour supply and employment in the LFS but not necessarily this time around. We expect LFS unemployment to climb moderately to 4.3%.

The week also brings March retail sales. The seasonally adjusted numbers are normally affected by the timing of Easter and we tentatively predict no change from February, which would suggest solid growth in private consumption in Q1. There was a clear slowdown in private consumption towards the end of 2016, which we see mainly as a result of high inflation eroding real wage growth, an effect that will now reverse gradually as inflation eases.

Market movers ahead

Global movers			Event			Period	Danske	Consensus	Previous
During the week	Sun 23	FRF	First round in France's presidential election						
Mon	24-Apr	10:00	DEM	IFO - expectations	Index	Apr	105.3	106.0	105.7
Thurs	27-Apr	13:45	EUR	ECB announces refi rate	%		0.00%	0.00%	
		13:45	EUR	ECB announces deposit rate	%		-0.40%	-0.40%	
		13:45	EUR	ECB's monthly asset purchase target	EUR bn	Apr	60	60	80
		14:00	DEM	HICP, preliminary	m/m/y/y	Apr	-1.9%	-0.2% 1.8%	0.1% 1.5%
		14:30	EUR	ECB's Draghi speaks at press conference					
Fri	28-Apr	11:00	EUR	HICP inflation, preliminary	y/y	Apr	1.7%	1.8%	1.5%
		14:30	USD	PCE core, preliminary	q/q AR	1st quarter			1.3%
		14:30	USD	GDP, first release, preliminary	q/q AR	1st quarter	1.0%	1.2%	2.1%
Scandi movers									
Tue	25-Apr	9:30	SEK	Unemployment [n.s.a. s.a.]	%	Mar	7.3% 6.8%	7.3% ...	7.4% 6.8%
Thurs	27-Apr	8:00	NOK	Unemployment [LFS]	%	Feb	4.3%	4.3%	4.2%
		9:30	SEK	Riksbank, rate decision	%		-0.5%	-0.5%	-0.5%
Fri	28-Apr	8:00	NOK	Retail sales, s.a.	m/m	Mar	0.0%	0.1%	1.0%
		9:30	SEK	Retail sales s.a.	m/m/y/y	Mar	0.5% 3.7%	0.4% 3.1%	0.2% 2.8%
		10:00	NOK	Unemployment	%	Apr	2.9%	2.9%	2.9%

Source: Bloomberg, Danske Bank Markets

Global Macro and Market Themes

Winds of political change blowing over Europe

This week is dominated by political headlines in Europe. The first round of the French presidential election is upon us on Sunday. It has been awaited (or feared) for months, or basically since last year's surprise Brexit outcome and Donald Trump's victory, which served as a reminder that populist movements are taking hold in western politics. Also, as if the political calendar was not crowded enough already, UK Prime Minister Theresa May has called a general election for 8 June. In the midst of this frantic European political calendar, economic data releases and central bank views are almost taking a backseat to political events. Hence, the title of our *FX Forecast Update* this week: *Political risks are in charge*. However, before turning to the likely outcome and market implications of these key political events, it is worth taking a look at our latest take on the global business cycle.

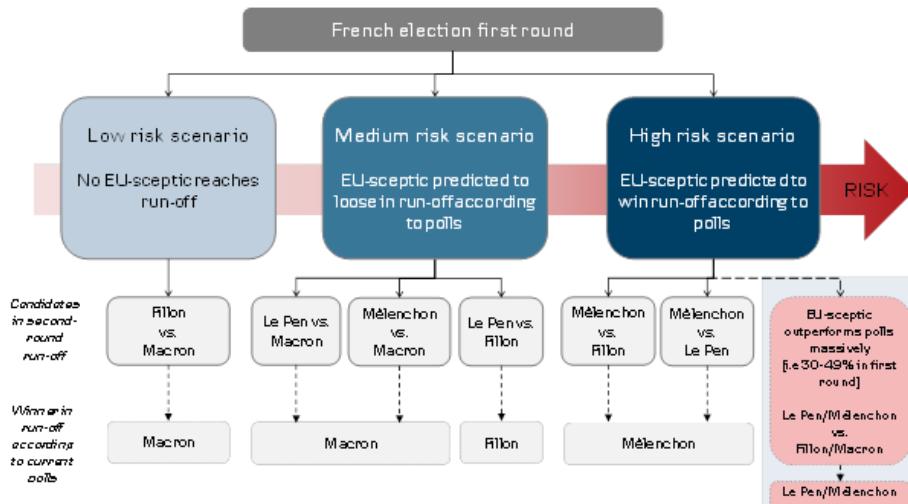
Our global business cycle model points to weakening growth momentum ahead

Our leading macroeconomic model MacroScope this week pointed to further weakening momentum in the global business cycle in the period ahead. The model paints a picture of the underlying macro environment on a three- to six-months horizon. While the underlying macro environment is getting more bullish, the market has already rallied and is in neutral to slightly overbought territory now. This points to a rising risk that we are moving into a scenario that tends to entail more frequent corrections in risk markets. In other words, the sensitivity to external shocks such as perceived adverse political events will increase.

Key points

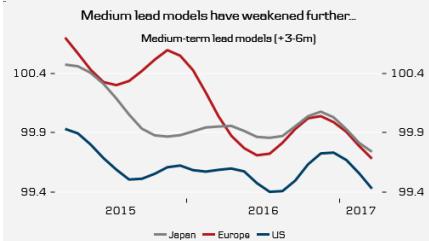
- Elections in Europe come against the backdrop of the global business cycle looking to lose momentum.
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From low to high risks in the French presidential election



Source: Danske Bank Markets

Business cycle signal continues to weaken across regions



Stakes are high and outcomes unpredictable ahead of first round of the French presidential election

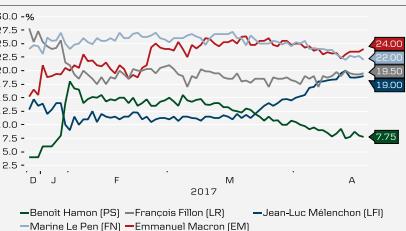
Although Macron seems set to be the likely winner of the French presidential elections, none of the leading four candidates can be written off at this time. The race between the four leading candidates Marine Le Pen, Emmanuel Macron, François Fillon and Jean-Luc Mélenchon has narrowed over the past month and the outcome is likely to be tight (see *French Election Monitor No. 3: Markets hold their breath as first election round draws near*, 21 April). Also, the terror event in Paris last night may swing some voters towards Le Pen. Recent weeks have seen a surge in the polls of the far left-wing candidate after a strong performance in the TV debates. Although a run-off on 7 May between Le Pen and Macron still seems to be the most likely outcome according to the polls, the other two major candidates cannot be written off, especially as almost a quarter of the voters are still undecided and the turnout is expected to be low due to widespread dissatisfaction with the established political class. Also, as we know from last year's elections, some caution should be taken with regard to polls.

The different election outcomes could have widespread implications for France and the EU more generally. Both Mélenchon and Le Pen share a similar EU-sceptic and anti-globalisation stance. Mélenchon wishes to renegotiate EU treaties and hold a subsequent EU referendum on the result as well as ending the independence of the ECB. Both candidates support expansionary fiscal policies with little regard to the EU deficit rules. They also liken a 'France-first' to public procurement and investment policies. On the other hand, a victory by Fillon and to some extent Macron would be likely to be followed by a reform drive in the French economy and the EU more generally.

We have divided the range of possible outcomes into three scenarios: a 'low-risk' scenario entailing no EU-sceptic candidates making it to the second round; a 'medium-term' risk scenario where an EU-sceptic candidate makes it to the second round but an established candidate looks likely to be the winner; and a 'high-risk' scenario, where Le Pen and Mélenchon face each other in the second round or if one of them receives much stronger than expected support in the first round (30-49% of the votes), increasing the chances that they will beat either Macron or Fillon in the second round.

What is the initial market reaction following the first round likely to be? In the 'low-risk' scenario, we will probably see a relief rally, sending equities and the EUR up, while fixed income markets would be likely to see some sell-off. In the 'medium-risk' scenario, we expect the market reaction to be fairly modest, as markets are most likely positioned for this already. However, in the high-risk scenario, we may easily see a sharp equity market sell-off given possible ramifications for the French economy and the EU as well as the euro. We think there will be a sell-off in French government bonds. We see the EUR/USD falling to the lower part of the current range of 1.04-1.10 in this scenario.

First round proving a four-horse race



Source: Macrobond Financial

Fixed income markets certainly pointing to a risk of a 'French accident'



Source: Macrobond Financial

Possible market implications of the first round of the French elections

	Equities Stoxx 500 (% change)	FX EUR/USD level	Fixed income French 10-year yield (bps)	German 10-year yield (bps)
Current level	3436	1.0750	0.96%	0.23%
High risk	-10%	-3 big figs	+10bp	-5bp
Medium risk	2%	unchanged	+0-5bp	Unchanged
Low risk	2%	+1 big fig	-10bp	+5bp

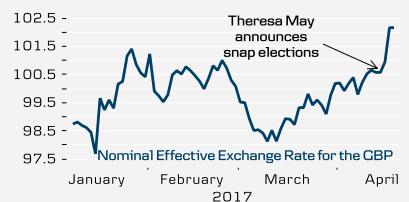
High risk scenario: EU-sceptic candidate predicted to win run-off according to
Medium-term risk scenario: EU-sceptic candidate predicted to loose in run-off according to polls
Low-risk scenario: No EU-sceptic candidate make it to the second round

Source: Danske Bank Markets

UK election likely to strengthen Theresa May's hand in the upcoming Brexit negotiations

The surprise of the week was the decision by UK Prime Minister Theresa May to call snap elections scheduled for 8 June. This move is no doubt an attempt to strengthen her powers both within and outside the conservative party, as the polls point to a solid victory for the Conservative Party. Such a victory, increasing the party's majority in parliament beyond the current 330 seats (326 seats required for majority), would make her less vulnerable during the upcoming Brexit negotiations to the threat from fractions within the Conservative Party that either want a tougher line in the Brexit negotiations (e.g. like UKIP) or seeking to soften terms or even to reverse the Brexit decision. Such a scenario is by no means guaranteed, as the Conservative Party may fail to clinch as strong a victory as expected (leaving a status quo situation) or we could even see Labour, the Liberal Democrats and possibly the SNP forming some sort of a coalition that would allow them to reverse the Brexit decision. The market is clearly positioning for a weakening of the Brexit terms as the GBP has strengthened on the back of the news. Short term, the general election means there is one more uncertainty factor for the GBP, as the sample space for UK-EU relations has suddenly widened again, with a chance now that Brexit may be softened (or cancelled altogether should the May government be ousted). However, our base case remains that May will stay in power and negotiate a 'decent Brexit' (neither too hard nor too soft). This would mean a level shift higher for EUR/GBP post the June election. However, the probability of other outcomes has clearly risen.

GBP has strengthened with the news of new elections



Source: Barclays Capital

Global market views

Asset class	Main factors
Equities Neutral positioning on stocks short and medium term DM (UW), EM (OW) DM : US (UW), Euro Area (OW), Japan (N). EM : China/Asia (OW), LatAm (N), Russia/Eastern Europe (OW)	The reflation trade, which has been ongoing since August/September 2016, is coming to an end, with equities hovering around all-time highs established in early March, but having difficulty breaking out from there. For equities to move substantially higher, yields need to rise, as bond markets have not yet brought the promise of a normalisation of growth and inflation. However, we do not think there is big correction ahead of us as growth data is still very upbeat. Moving forward, we think equity markets will trade largely in a range.
Bond market German/Scandi yields – set to stay low for now, higher on a 12M horizon EU curve – set to steepen 2Y10Y when long yields rise again US-euro spread – stable Peripheral spreads – tightening but clear risk factors to watch	For now, German yields are being kept low by political uncertainty, low inflation pressure and ECB purchases. The outlook for low core inflation and an apparent peak in the global manufacturing cycle to keep yields low in 2017. 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 to 6M horizon. Economic recovery, QE and better fundamentals in especially Portugal and Spain point to further tightening, but politics (French presidential election), 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.
FX EUR/USD – rangebound near term, higher in 6-12M EUR/GBP – higher post UK election, then rangebound for extended period USD/JPY – downside risks near term EUR/SEK – range near term, then gradually lower EUR/NOK – range near term, then gradually lower	Political risks near term and could weigh on the pair but the cross should edge higher longer term as ECB looks to the exit. With May to stay in power GBP should weaken post the June election and stay rangebound (0.84-0.88) during Brexit negotiations. Risks on the downside near term on geopolitics but USD/JPY set to edge higher driven by 10Y US rates longer term. Gradually lower on relative fundamentals and valuation in 2017 but near-term SEK potential limited by the Riksbank. Cross set to move lower on valuation and growth, real-rate differentials normalising but NOK vulnerable to global risk appetite.
Commodities Oil price – range bound Metal prices – range bound Gold price – range bound Agriculturals – rising again	OPEC cuts almost fully implemented, extension in H2 is about priced in, geopolitical risks regaining focus Underlying support from consolidation in mining industry, recovery in global manufacturing. Is the market losing patience with Trump? Tug of war between higher US rates and subdued risk sentiment. Geopolitical risks regaining focus Recent drop on lower oil only temporary.

Source: Danske Bank Markets

Scandi update

Denmark – consumer confidence climbs further

The week's consumer confidence data showed a healthy increase from March to April. The indicator has now risen for four successive months to its highest since August 2015. Danish households are generally more upbeat about both their personal finances and the economy as a whole, lending support to expectations that private consumption could help drive growth this year even if real wages rise slightly more slowly than last year.

Sweden – rosy budget bill

The Red/Green government released its spring bill this week. There was really nothing new, but quite an ordinary dose of welfare spending and tax hikes. However, the government is doing this from a position of expected surpluses in coming years, in turn depending on the improving labour market and a favourable growth outlook. Hence, the government will be in a very good position to boost spending further ahead of the general election in 2018.

From a market perspective the most interesting aspect is probably that the public sector debt ratio (of which government debt is the larger part) is expected to drop to 31% by 2020. This is very close to the five percent lower bound below the proposed long-term 35% debt anchor, where the government is supposed to take action to bring it back to the anchor. This situation could be aggravated by another proposal suggesting the Riksbank's FX reserve should be reduced dramatically, which would cut the debt ratio by another 4-5 percentage points. It seems Sweden may be heading for a situation with a shrinking bond stock (where Riksbank now owns about 40%). It is evident that bond liquidity has suffered. Unless this or a new government finds ways to bring down projected surpluses with additional spending or tax cuts, something has to be done to push debt closer to the anchor. Finance Minister Andersson in an interview suggested a sovereign wealth fund may be created, financed by issuing government bonds, as a vehicle for this. We take a very relaxed view on both projected surpluses and how to cope with the anchor, as the economy may turn out in a totally different way in coming years.

Norway – manufacturing over the worst

Manufacturing confidence climbed to 1.1 in Q1, its highest for almost three years, corroborating the signals from the PMI that the upturn in Norwegian manufacturing is gaining momentum. The most important reason seems to be that the sharp downturn in oil-related industries is bottoming out and may even be reversing. Higher oil prices and lower costs are making more investment projects interesting, with the result that orders and activity are picking up in parts of the sector. Exporters are also being buoyed by stronger global growth and continued weakness in the krone. The confidence data thus provide further confirmation that the Norwegian economy has bottomed out.

Consumer sentiment on the up this year



Source: Statistics Denmark

Stronger manufacturing confidence



Source: Macrobond Financial, Danske Bank

Latest research from Danske Bank Markets

21/4 French Election Monitor No. 3: Markets hold their breath as first election round draws near

As the first round of the presidential election approaches this Sunday, the result remains unpredictable and the market reaction afterwards will depend largely on the candidate combination in the second round.

20/4 Yield Outlook: More or less stable yields in 2017 - higher yields a 2018 story

Monthly yield outlook.

18/4 Brexit Monitor No. 28: Snap election increases number of uncertainty factors

Very surprisingly, PM Theresa May has announced she wants a snap election on 8 June

18/4 French Election Monitor No. 2: Mélenchon could enter second election round in May

Left-wing candidate Jean-Luc Mélenchon has seen a stellar rise in the polls after a strong performance in the TV debates and opinion polls show that he could win against Fillon or Le Pen, if he reaches the run-off in May.

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	1.3	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 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	1.7	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	1.2	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 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	2.6	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 vsSEK
USD	21-Apr	1.00	1.16	1.54	2.22	107.3	-	897.8
	+3m	1.00	1.53	1.60	2.35	106.0	-	886.8
	+6m	1.25	1.64	1.75	2.55	109.0	-	853.2
	+12m	1.75	2.01	2.15	2.80	114.0	-	807.0
EUR	21-Apr	0.00	-0.33	-0.14	0.73	-	107.3	963.0
	+3m	0.00	-0.35	-0.10	0.75	-	106.0	940.0
	+6m	0.00	-0.35	-0.10	0.90	-	109.0	930.0
	+12m	0.00	-0.35	0.00	1.25	-	114.0	920.0
JPY	21-Apr	-0.10	0.01	0.03	0.22	117.3	109.4	8.21
	+3m	-0.10	-	-	-	118.7	112.0	7.92
	+6m	-0.10	-	-	-	124.3	114.0	7.48
	+12m	-0.10	-	-	-	132.2	116.0	6.96
GBP	21-Apr	0.25	0.34	0.56	1.10	83.7	128.2	1150.6
	+3m	0.25	0.35	0.60	1.20	86.0	123.3	1093.0
	+6m	0.25	0.35	0.60	1.35	86.0	126.7	1081.4
	+12m	0.25	0.36	0.60	1.65	86.0	132.6	1069.8
CHF	21-Apr	-0.75	-0.73	-0.69	0.04	107.0	99.7	900.1
	+3m	-0.75	-	-	-	108.0	101.9	870.4
	+6m	-0.75	-	-	-	110.0	100.9	845.5
	+12m	-0.75	-	-	-	115.0	100.9	800.0
DKK	21-Apr	0.05	-0.27	0.00	0.97	743.7	693.4	129.5
	+3m	0.05	-0.25	0.05	1.00	744.0	701.9	126.3
	+6m	0.05	-0.25	0.05	1.15	744.0	682.6	125.0
	+12m	0.05	-0.25	0.15	1.50	744.0	652.6	123.7
SEK	21-Apr	-0.50	-0.47	-0.31	1.02	963.0	897.8	100.0
	+3m	-0.50	-0.48	-0.47	0.95	940.0	886.8	-
	+6m	-0.50	-0.48	-0.45	0.90	930.0	853.2	-
	+12m	-0.50	-0.48	-0.45	1.40	920.0	807.0	-
NOK	21-Apr	0.50	1.00	1.18	1.84	924.5	861.9	104.2
	+3m	0.50	0.90	1.20	1.95	890.0	839.6	105.6
	+6m	0.50	0.90	1.30	2.15	870.0	798.2	106.9
	+12m	0.50	0.90	1.35	2.55	870.0	763.2	105.7

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

	10-Apr	2017				2018				Average	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2017	2018
NYMEX WTI	53	53	53	57	59	60	60	61	61	56	61
ICE Brent	56	55	55	57	59	60	60	61	61	57	61
Copper	5,834	5,850	5,900	5,950	6,000	6,025	6,050	6,075	6,100	5,925	6,063
Zinc	2,690	2,725	2,600	2,500	2,400	2,300	2,300	2,300	2,300	2,556	2,300
Nickel	10,180	10,500	11,000	11,400	11,500	11,600	11,700	11,800	11,900	11,100	11,750
Aluminium	1,962	1,825	1,800	1,800	1,800	1,800	1,800	1,810	1,820	1,806	1,808
Gold	1,253	1,200	1,150	1,150	1,160	1,170	1,180	1,190	1,200	1,165	1,185
Matif Mill Wheat	163	170	164	168	170	170	169	168	168	168	169
Rapeseed	399	420	440	440	430	425	425	425	425	433	425
CBOT Wheat	424	435	465	500	510	520	530	540	550	478	535
CBOT Soybeans	946	1,050	1,100	1,100	1,100	1,125	1,125	1,150	1,150	1,088	1,138

Source: Danske Bank Markets

Calendar

Key Data and Events in Week 17

During the week				Period	Danske Bank	Consensus	Previous
Sun 23	FRF	First round in France's presidential election					
Monday, April 24, 2017				Period	Danske Bank	Consensus	Previous
7:00	JPY	Leading economic index	Index	Feb			104.4
10:00	DEM	IFO - business climate	Index	Apr	112.0	112.3	112.3
10:00	DEM	IFO - current assessment	Index	Apr	119.1	119.0	119.3
10:00	DEM	IFO - expectations	Index	Apr	105.3	106.0	105.7
17:30	USD	Fed's Kashkari (voter, dovish) speaks					
21:15	USD	Fed's Kashkari (voter, dovish) speaks					
Tuesday, April 25, 2017				Period	Danske Bank	Consensus	Previous
8:45	FRF	Business confidence	Index	Apr		104.0	104.0
9:00	DKK	Retail sales	m/m/y/y	Mar		0.3% ...	-0.1% -3.4%
9:30	SEK	Unemployment (n.s.a. s.a.)	%	Mar	7.3% 6.8%	7.3% ...	7.4% 6.8%
10:00	EUR	ECB's Bank Lending Survey					
14:00	HUF	Central Bank of Hungary rate decision	%		0.90%	0.90%	0.90%
15:00	USD	FHFA house price index	m/m	Feb			0.0%
16:00	USD	Conference Board consumer confidence	Index	Apr		123.7	125.6
16:00	USD	New home sales	1000 (m/m)	Mar	588	592.0 (6.1%)	
Wednesday, April 26, 2017				Period	Danske Bank	Consensus	Previous
3:30	AUD	CPI	q/q/y/y	1st quarter		0.6% 2.2%	0.5% 1.5%
8:45	FRF	Consumer confidence	Index	Apr		100.0	100.0
9:00	SEK	Consumer confidence	Index	Apr		103.5	102.6
9:00	SEK	Economic Tendency Survey	Index	Apr			109.2
9:00	SEK	Manufacturing confidence	Index	Apr		113.4	112.7
13:00	TRY	Central Bank of Turkey rate decision	%		8.0%	8.0%	8.0%
14:30	CAD	Retail sales	m/m	Feb			2.2%
16:30	USD	DOE U.S. crude oil inventories	K				-1034
Thursday, April 27, 2017				Period	Danske Bank	Consensus	Previous
-	DEM	Retail sales	m/m/y/y	Mar	-0.7% ...	0.0% 2.5%	1.8% -2.1%
-	JPY	BoJ policy rate	%			-0.1%	-0.1%
-	JPY	BoJ monetary policy announcement					
3:30	CNY	Industrial profits	y/y	Mar			
8:00	DEM	GfK consumer confidence	Net. Bal.	May		9.9	9.8
8:00	NOK	Unemployment (LFS)	%	Feb	4.3%	4.3%	4.2%
9:00	ESP	HICP, preliminary	m/m/y/y	Apr	... 2.3%	0.7% 2.3%	1.1% 2.1%
9:00	DKK	Confidence indicator, industry, s.a.	Net balance	Apr			-4
9:30	SEK	PPI	m/m/y/y	Mar			-0.8% 7.5%
9:30	SEK	Riksbank, rate decision	%		-0.5%	-0.5%	-0.5%
9:30	SEK	Trade balance	SEK bn	Mar	2.0		0
11:00	EUR	Business climate indicator	Net bal.	Apr		0.8	0.8
11:00	EUR	Industrial confidence	Net bal.	Apr		1.2	1.2
11:00	EUR	Economic confidence	Index	Apr		108.0	107.9
11:00	EUR	Consumer confidence, final	Net bal.	Apr			
11:00	EUR	Service confidence	Net bal.	Apr		12.9	12.7
13:45	EUR	ECB announces refi rate	%		0.00%		0.00%
13:45	EUR	ECB announces deposit rate	%		-0.40%		-0.40%
13:45	EUR	ECB's monthly asset purchase target	EUR bn	Apr	60	60	80
14:00	DEM	HICP, preliminary	m/m/y/y	Apr	... 1.9%	-0.2% 1.8%	0.1% 1.5%
14:30	USD	Core capital goods orders, preliminary	%	Mar		0.5%	-0.1%
14:30	USD	Advance goods trade balance	USD bn	Mar		-65.1	-63.9
14:30	USD	Initial jobless claims	1000				244
14:30	EUR	ECB's Draghi speaks at press conference					
16:00	USD	Pending home sales	m/m/y/y	Mar		-0.5% ...	5.5% -2.4%

Source: Danske Bank Markets

Calendar (continued)

Friday, April 28, 2017			Period	Danske Bank	Consensus	Previous
-	EUR	S&P may publish Germany's debt rating				
-	EUR	Fitch may publish Netherlands's debt rating				
1:01	GBP	GfK consumer confidence	Index	Apr	-7.0	-6.0
1:30	JPY	CPI - national ex. fresh food	y/y	Mar	0.2%	0.2%
1:30	JPY	Unemployment rate	%	Mar	2.9%	2.8%
1:30	JPY	Job-to-applicant ratio		Mar	1.43	1.43
1:30	JPY	CPI - national	y/y	Mar	0.3%	0.3%
1:50	JPY	Retail trade	m/m y/y	Mar	-0.3 1.5%	0.3% 0.2%
1:50	JPY	Industrial production, preliminary	m/m y/y	Mar	-1.8% 4.0%	3.2% 4.7%
7:30	FRF	GDP, preliminary	q/q y/y	1st quarter	0.4% 0.9%	0.4% 1.1%
8:00	NOK	Retail sales, s.a.	m/m	Mar	0.0%	0.1%
8:45	FRF	Household consumption	m/m y/y	Mar	0.6% 0.6%	-0.8% 0.5%
8:45	FRF	HICP, preliminary	m/m y/y	Apr	.. 1.4%	0.2% 1.4%
9:00	DKK	Gross unemployment s.a.	K[%]	Mar	4.3%	4.3%
9:00	ESP	GDP, preliminary	q/q y/y	1st quarter	0.7% 2.9%	0.7% 3.0%
9:00	CHF	KOF leading indicator	Index	Apr	107.7	107.6
9:30	SEK	Retail sales s.a.	m/m y/y	Mar	0.5% 3.7%	0.4% 3.1%
9:30	SEK	Wages (blue collars/white collars)	y/y	Feb		2.3%
10:00	NOK	Norges Bank's daily FX purchases	m	May	-850	-850
10:00	NOK	Unemployment	%	Apr	2.9%	2.9%
10:00	EUR	Money supply (M3)	y/y	Mar	4.7%	4.7%
10:00	EUR	Loans to households (adj. for sales and sec.)	%	Mar		
10:00	EUR	Loans to NFCs (adj. for sales and sec.)	%	Mar		
10:00	EUR	ECB's survey of professional forecasters				
10:30	GBP	GDP, preliminary	q/q y/y	1st quarter	0.4% 2.2%	0.4% 2.2%
10:30	GBP	Index of services	m/m 3m/3m	Feb	0.3% 0.5%	-0.1% 0.6%
11:00	EUR	HICP inflation, preliminary	y/y	Apr	1.7%	1.8%
11:00	EUR	HICP - core inflation	y/y	Apr	1.0%	1.0%
11:00	ITL	HICP, preliminary	m/m y/y	Apr	.. 1.7%	0.5% 1.6%
12:30	RUB	Central Bank of Russia rate decision	%		9.50%	9.50%
14:30	USD	Employment cost index	m/m	1st quarter		0.6%
14:30	CAD	GDP	m/m y/y	Feb		0.6% 2.3%
14:30	USD	PCE core, preliminary	q/q AR	1st quarter		1.3%
14:30	USD	GDP, first release, preliminary	q/q AR	1st quarter	1.0%	1.2%
15:45	USD	Chicago PMI	Index	Apr	56.9	57.7
16:00	USD	University of Michigan Confidence, final	Index	Apr	98.4	98.0
20:30	USD	Fed's Harker (voter, hawkish) speaks				

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Source: Danske Bank Markets

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