21 October 2016

Weekly Focus Sweden
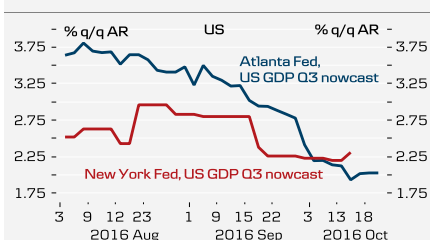
Global PMIs and Scandi central banks

Market movers ahead

- In the US a lot of attention next week will be on the first estimate of Q3 GDP growth. Overall, we expect GDP growth was around 2.0% q/q AR in Q3. This is not strong taking into account the disappointing growth rates in the three previous quarters and it is much lower than previously expected. Preliminary Markit PMIs for October are also due out.

- The main data release in the euro area next week is the PMI figures for October. We expect stronger manufacturing PMI in October. The service PMI on the other hand has trended down during 2016, but a recent stabilisation in the future business expectations index suggests it will remain around the current level.

- In the UK, the main data release next week is the first estimate of GDP growth in Q3. Economic data in Q3 have been much better than we feared and expected. We look for GDP growth in the range of 0.25-0.50% q/q with 0.4% being our point estimate (2.2% y/y).

- In Sweden the focus next week will be on the Riksbank's monetary policy meeting on Thursday. In addition, the SNDO will release its new forecast on Wednesday for the net borrowing requirements for the remainder of 2016 and 2017. We foresee quite a dramatic cut in net issuance, which may eventually also be an issue for the Riksbank as the supply of assets to purchase in its QE programme will probably decrease further.

- The focus next week in Norway will be on Norges Bank's monetary policy meeting on Thursday. We do not expect Norges Bank to touch interest rates.
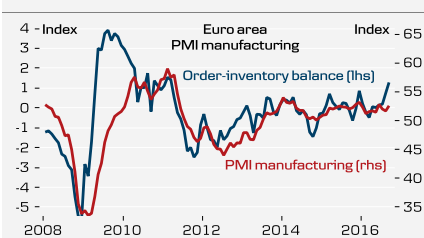
Global macro and market themes

- The ECB is likely to extend QE in December and avoid stimulus, which would hurt the European banking sector.

- We expect EUR/USD to fall near term on relative monetary policy expectations and politics.

- We see EUR/GBP heading towards 0.92 on 3-6M. USD/CNY uptrend to continue.

- Short term, we see equities as a 'buy-on-dips'.

Contents

Financial views

Major indices			
	21-Oct	3M	12M
10yr EUR swap	0.40	0.40	1.00
EUR/USD	109	108	115
ICE Brent oil	52	47	54
	21-Oct	6M	12-24M
S&P500	2141	-8 -+3%	0-5%

Source: Danske Bank

Follow us on *Twitter* for the latest on macroeconomic and financial market developments:

@*Danske_Research*

We expect GDP growth was around 2.0% q/q AR in Q3

Source: Macrobond Financial

Manufacturing PMI set to increase

Source: Macrobond Financial

Editor

Analyst
Mathias Røn Mogensen
+ 45 45 14 72 26
mmog@danskebank.com

Important disclosures and certifications are contained from page 14 of this report.

www.danskeresearch.com

Market movers

Global

- In the **US,** several important data releases are due next week. The first estimate of Q3 GDP growth is due on Friday. Overall, we estimate GDP growth was around 2.0% q/q AR in Q3, which is not strong taking into account the disappointing growth rates in the three previous quarters. Also, it is much lower than previously expected (see chart right). We estimate private consumption growth slowed markedly in Q3 (compared with the strong Q2 growth above 4% q/q AR) despite strong car sales, as retail sales have been weak. We do not believe private consumption growth has stopped but Q2 was a very strong quarter and we believe Q3 was weaker than Q2. We expect the drag from private investments to fade on a combination of business investments stabilising and a positive growth contribution from inventories, which have been a negative contributor to GDP for the past five quarters. It is likely net exports contributed slightly positively to Q3 GDP growth.
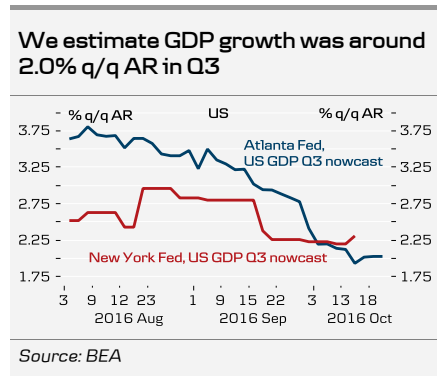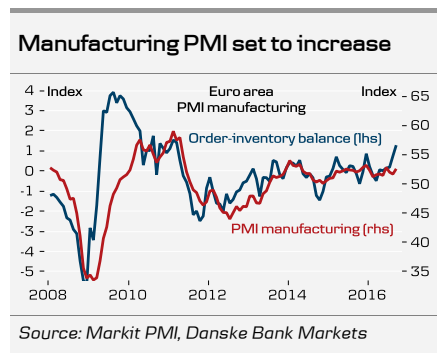
The week also brings the preliminary Markit PMIs for October. As the ISM manufacturing index has jumped up and down over the past two months, it is hard to tell the true story about the manufacturing sector based on this index. Hence, focus is on the less volatile Markit PMI manufacturing index (due on Monday), as it might tell a clearer story. We believe the Markit PMI manufacturing index in October has stayed around the same level, indicating only modest growth. On Wednesday, we are due to get the Markit PMI services index, which has been more accurate than the ISM non-manufacturing index in recent quarters and while we saw a big jump in the latter index in September, the Markit index rose only slightly. This leaves us with a rather muddy picture of the current situation. If the PMI services index moves higher in October and closes the gap between the indices, it would be a strong sign for the services sector in Q4. We expect the Markit PMI services index in October move to a slightly higher level around 53. However, this is still quite weak.
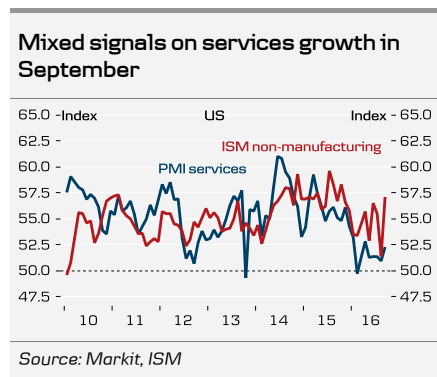
On Thursday, we are die to get preliminary capital goods orders for September. It remains a concern to us that shipments of core capital goods continued to move lower in August, even though new orders rose in July. As new orders also rose in August, we will be interested to see whether shipments rose in September, which would be a sign that business investments have finally hit bottom.

Only a few FOMC members are scheduled to speak in the beginning of the week, as we now enter the blackout period before the FOMC meeting, which concludes on 2 November. The most important one is James Bullard (voter, dovish), who speaks on Monday, as we have not heard from him in a while.

- The main data release in the **euro area** next week is the PMI figures for October, due on Monday. The economic survey data has been resilient to the UK's vote to leave the EU and, although it seems more likely that we will end up with a 'hard' Brexit, we expect stronger manufacturing PMI in October. The order-inventory balance, which is usually a good leading indicator for the manufacturing index, was very strong in September, pointing to a large jump in the manufacturing figure. The services PMI on the other hand has trended down in 2016 but a recent stabilisation in the future business expectations index suggests it will remain around the current level.

We estimate GDP growth was around 2.0% q/q AR in Q3

Source: BEA

Mixed signals on services growth in September

Source: Markit, ISM

Manufacturing PMI set to increase

Source: Markit PMI, Danske Bank Markets

The German ifo expectations due for release on Tuesday should send the same signal. In September, the figure increased to the highest level since the end of 2015, above the level prior to the Brexit vote. The economic survey indicators overall suggest that GDP growth could surprise on the upside in H2, especially as many had expected a negative impact on business sentiment and, hence, investments from the increased political uncertainty following the UK's decision to leave the EU.

Thursday brings the money supply and loan growth figures for September. Growth in lending to non-financial corporations turned positive at the end of last year and has recently reached the highest rate since 2011. The October bank lending survey showed continued increasing demand for loans, particularly from households, while enterprises' demand for loans is increasing at a slower pace. We expect the future figures to be followed closely, as the decline in euro bank stocks points to weaker lending, which is likely to be of concern for the ECB.

On Friday, the German, French and Spanish inflation figures bring the first information about euro area inflation in October. The rise in the oil price should continue to result in higher inflation and we expect the German HICP figure to reach 0.6% y/y, which would be the highest in 1.5 years.

French and Spanish GDP growth figures for Q3 are also set to be released on Friday and in light of the resilient economic survey figures, we believe the hard data will be interesting to follow.

- In the **UK**, there is only one major release as we get the first estimate of GDP growth in Q3 on Thursday. Economic data in Q3 have been much better than we feared and expected. We look for GDP growth in the range 0.25-0.50% q/q, with 0.4% being our point estimate (2.2% y/y), driven mainly by services. This is slower than before the EU vote but still a solid growth rate from a global perspective. As the economy has been resilient to Brexit uncertainty so far and as growth has been higher than projected by the Bank of England (BoE) in its August Inflation Report, we no longer expect the BoE to provide additional stimuli to the economy at the November meeting. Still, we see a risk that business confidence and hence growth may take a hit, as it seems we may be heading for a 'hard Brexit', with limited access to the European single market after Prime Minister Theresa May's comments in connection with the Conservative Party congress. Thus, we instead expect the BoE to keep the Bank Rate unchanged until February, when we see more than a 50% chance of a rate cut from 0.25% to 0.10%.
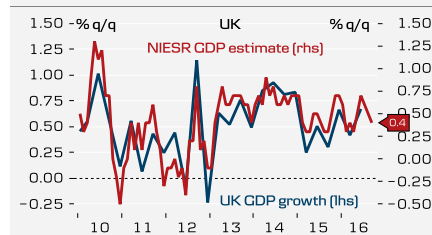
Also, S&P is due to publish the UK's sovereign debt rating on Friday. It downgraded the UK by two notches from AAA to AA just after the EU vote and at the same time warned that it could downgrade the UK further.

Bank stocks point to weaker lending
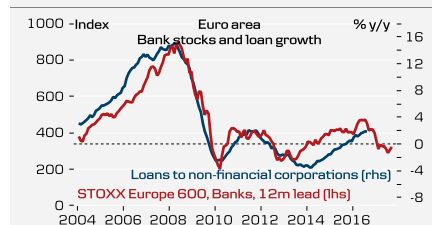
Source: Bloomberg, ECB, Danske Bank Markets

**NIESR GDP growth estimate for Q3 suggests 0.4% q/q**


Source: ONS, NIESR

Scandi

- In **Denmark**, a quiet week is in store, with the only significant release the business tendency surveys for October, due on Friday. Manufacturing confidence has fallen since June but remains around the same level it has been at since the start of 2015 – a level consistent with negative sentiment but not outright pessimism. Friday also brings figures for foreign portfolio investments and securities statistics for September.

- In **Sweden**, the week ahead is be full of interesting data needed to analyse developments in the Swedish economy and to compute a more reliable (in relative terms) estimate of Q3 GDP growth. First out is the Producer price index (Tuesday at 09:30 CET), when we plan to delve into the possible terms-of-trade effects for Q3. On Wednesday (at 09:30 CET), trade balance data is due to be released and we would be stunned if it does not reveal a strong rebound after last month's very weak outcome (the worst trade balance on record). In addition, the Swedish National Debt Office is set to release its new forecast for the net borrowing requirements for the remainder of 2016 and 2017. We expect a quite dramatic cut in net issuance, which might eventually be an issue for the Riksbank too, as the supply of assets to purchase in its QE programme would probably decrease further. On Thursday, we receive a slew of interesting data. The day starts with the Consumer and Business Confidence index (at 09:00 CET) and then we see household credit growth and receive the Riksbank monetary policy decision (at 09:30 CET). Any indication of widening the asset space in its asset purchase programme would have a strong impact on pricing in fixed income markets. The week concludes with another bout of retail sales data (Friday, at 09:30 CET) and we would, frankly, appreciate a rebound in this data too, as the deceleration in domestic demand seems to be happening a bit more swiftly than even we feared.

- A busy week lies ahead in **Norway**. We do not expect Norges Bank to touch interest rates at its rate-setting meeting on Thursday, nor will there be a new monetary policy report, so we do not expect any fresh signals after the bank indicated unchanged rates at its September meeting. Besides the sharp fall in industrial production, there have been few surprises on the macro front over the past month and this will probably be offset to some extent by inflation coming out somewhat lower than expected. The slightly stronger krone has to do with higher oil prices and will therefore be easier for the bank to swallow. There has been considerable divergence between the LFS and NAV unemployment measures over the past year. While the number of jobless in the LFS has risen by 10,000 over the past three months, gross unemployment as reported by the NAV has fallen by 700. A recent economic commentary from Norges Bank concludes that increased sample uncertainty in the LFS data is probably an important explanatory factor. This suggests we should attach most weight to the NAV figures. At the same time, there is no doubt that rising youth unemployment will generally have a greater impact on the LFS data and this is probably also part of the story. The truth probably lies somewhere between the two extremes – the worst of the rise in unemployment is over but it is still too early for it to have begun to come down again. We estimate LFS unemployment edged down to 4.9% and registered unemployment fell to 2.8%, with a marginal decrease in gross unemployment (which includes those on job creation schemes). The week also brings retail sales data for September. Retail sales growth has been relatively weak of late despite a dramatic improvement in consumer confidence, probably due to high inflation eroding purchasing power. We expect a moderate increase of 0.4% m/m, which would still give a fall in retail sales in Q3 as a whole. Economic growth in Norway has benefited greatly from the consumption of services holding up much better than the consumption of goods. Therefore, we expect moderate growth in private consumption in Q3 despite weak retail sales. Following the

Manufacturers still downbeat
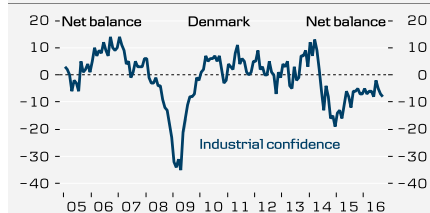
Source: Denmark Statistics

The gap is increasing – stronger government finances
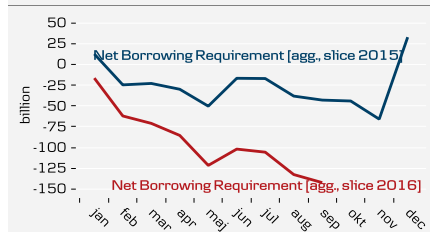
Source: Swedish National Debt Office. Danske calculations

Is unemployment rising or falling?

Source: Macrobond Financial

surprisingly steep fall in industrial production of 6.2% m/m in August, we expect Statistics Norway's <u>manufacturing tendency survey</u> to make very interesting reading. Based on the rise in the PMI, we predict a slight improvement in the confidence indicator to 0 in Q3, which would mean that markets have been right to more or less ignore the dip in production in August.

Market movers ahead

Global movers					Event		Period	Danske	Consensus	Previous
During the week										
Mon	24-Oct	10:00		EUR	PMI manufacturing, preliminary	Index	Oct	**53.5**	*52.6*	52.6
		10:00		EUR	PMI services, preliminary	Index	Oct	**52.4**	*52.4*	52.2
		15:45		USD	Markit manufacturing PMI, preliminary	Index	Oct	**51.5**	*51.5*	51.5
Tue	25-Oct	10:00		DEM	IFO - expectations	Index	Oct	**104.8**	*104.7*	104.5
Wed	26-Oct	15:45		USD	Markit service PMI, preliminary	Index	Oct	**53.0**	*52.3*	52.3
Thurs	27-Oct	10:30		GBP	GDP, first estimate	q/q|y/y	3rd quarter	**0.4%|2.2%**	*0.3%|2.1%*	0.7%|2.1%
Fri	28-Oct	14:00		DEM	HICP, preliminary	m/m|y/y	Oct	**...|0.6%**	*0.1%|0.6%*	0.0%|0.5%
		14:30		USD	GDP, first release, preliminary	q/q ann.	3rd quarter	**2.0%**	*2.5%*	1.4%

Scandi movers										
During the week										
Mon	24-Oct									
Tue	25-Oct	9:30		SEK	PPI	m/m|y/y	Sep			1.0%|-0.3%
Wed	26-Oct	9:30		SEK	Trade balance	SEK bn	Sep			-10.3
		9:30		SEK	Debt office 2017-2018 borrowing forecast					
Thurs	27-Oct	8:00		NOK	Unemployment (LFS)	%	Aug	**4.9%**		5.0%
		9:00		SEK	Consumer confidence	Index	Oct			100.4
		9:00		SEK	Economic Tendency Survey	Index	Oct			103.0
		9:00		SEK	Manufacturing confidence	Index	Oct			101.0
		9:30		SEK	Riksbank, rate decision	%		**-0.5%**		-0.5%
		10:00		NOK	Norges Banks monetary policy meeting	%				0.5%
Fri	28-Oct	8:00		NOK	Retail sales, s.a.	m/m	Sep	**0.4%**		0.4%
		10:00		NOK	Unemployment	%	Oct	**2.8%**		2.8%

Source: Bloomberg, Danske Bank Markets

Global Macro and Market Themes

At Thursday's meeting, the ECB kept all policy rates unchanged, maintained its monthly QE purchases of EUR 80bn and did not change its intention to end purchases in March 2017. At the press conference, Mario Draghi initially said that the Governing Council had not discussed an extension of QE but also said that they had not discussed a tapering of QE either. **We still believe that the ECB at its December meeting will announce an extension of its current QE programme to September 2017.** (For details see *ECB Review: No ECB QE tapering discussion – we expect QE extension*, 20 October).

Recent research has shown that banking systems with a) a high share of variables rate loans, b) a large deposit base compared to total funding; and c) a small share of fee income will suffer under a negative rate environment (see *IMF Working Paper*, August 2016). Italy, Portugal and Spain all have a high share of variable loans while Spain in particular has a large share of deposits compared to total liabilities (see Chart 1). In addition, the direct costs of negative deposit rates are likely to be greater for banks in large surplus countries such as the Netherlands and Germany where the Target 2 settlement of capital flows generates large amounts of excess liquidity in their banking systems. It is likely that the ECB in particular will be concerned about the relatively short end of the yield curve, which has the largest transmission to banks' deposit and lending rates. This rules out further ECB interest rate cuts whereas an extension of the QE programme should be less damaging for banks.

From our discussions with clients, it is clear that everyone is very concerned about politics in Europe. In our view, Brexit negotiations will set the tone for EU politics. Based on recent comments it is likely that both the EU and the UK will begin Brexit negotiations from a 'hard Brexit' starting point. The EU will have to signal a tough stance to ensure that other countries are not tempted to follow the UK. Meanwhile, it appears that the UK government wants to have a say in controlling immigration. However, it will be a 'game of chicken' where the UK may blink first as it is not obvious from polls that the UK population wants to control immigration rather than having full access to the single market. The EU's stance during the negotiations will of course be highly dependent on the outcomes of upcoming referendums and elections (see Chart 2).

Key points

- The ECB is likely to extend QE in December and avoid stimulus, which would hurt the European banking sector.

- We expect EUR/USD to fall near term on relative monetary policy expectations, politics.

- We see EUR/GBP heading towards 0.92 on 3-6M. USD/CNY uptrend to continue.

- Short term, we see equities as a buy-on-dips.

Chart 1: Non-MFI deposits as a share of total liabilities and interest rates on deposits
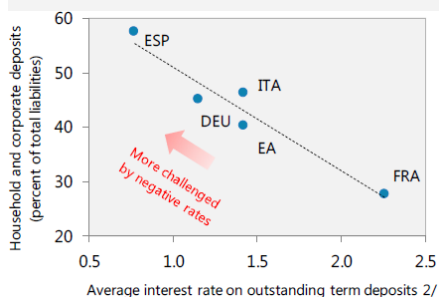
Source: Bloomberg L.P., Haver and IMF staff calculations

Chart 2: Political uncertainty on the rise in Europe
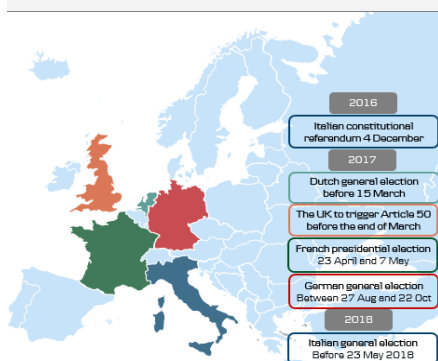
Source: Danske Bank Markets

Chart 3: Political uncertainty is declining in the US
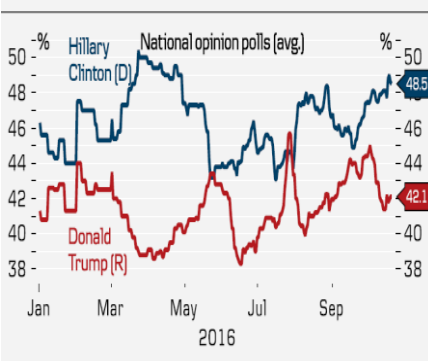
Source: RealClearPolitics.com, Macrobond Financial

The political risks and relative monetary policy will weigh on EUR/USD where yesterday's downside break of 1.0950 opens the door for further losses towards 1.0700-1.0850. Positioning is not yet stretched short EUR/USD, which supports a greater role for relative rates. We see political risks in Europe as more EUR negative than USD negative as Clinton appears to be the likely winner of the US election. (Chart 3). We expect it to be sell-the-rumour, buy-the-fact with the EUR/USD bottoming in December and heading convincingly higher in 2017 on the large Eurozone-US current account differential and valuation. We also note the continuing rise in USD/CNY (and USD/CNH). This is in line with our view and we expect it to continue to head higher into year-end on broad USD strength and China's need for a weaker exchange rate.

Finally, on FX the British pound (GBP) has plunged. The UK runs one of the largest current account (CA) deficits and the funding of that will be pressured if the UK opts out of the single market (see Chart 4). Still, markets may to a significant extent already be priced for a hard Brexit. We believe the British pound will weaken further against both the USD and the EUR, but that will play out over the coming 3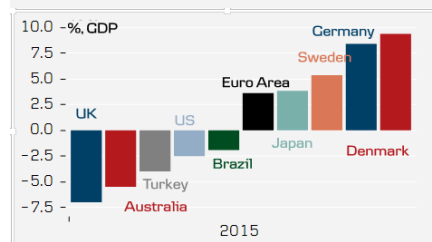-6 months. It will be 'sell the rumour, buy the fact' with respect to the UK's triggering of article 50 and the GBP is likely to strengthen later in 2017.

As we argued a couple of weeks ago, we believe that there is a macro-case for higher long-end bund yields given higher inflation and inflation expectations in Europe and that the market is likely to price in ECB tapering long before it occurs. However, timing is difficult and our view is more of a 6-12 months view rather than a short-term view. Short term, we see equities as a 'buy-on-dips' after a reasonable start to the earnings season in the US, while we remain underweight on equities versus cash on a 3-6 month view as earnings expectations in 2017 look unrealistic.

Chart 4: The UK has a massive CA deficit

Source: Macrobond Financial

Global market views

Asset class	Main factors
Equities Short term (0-1 month): buy-on-dips Medium term (three-six months): underweight equities vs cash	The hunt for yield as a theme has led equity markets to bounce back after Brexit. Growth is above expectations but has still not broken out of the range. Risk of setbacks is high due to stretched valuations and still fairly weak earnings but central bank anchoring of bond yields provides a cushion for a setback, hence, our structurally underweight position in equities vs. cash. Our short-term stance is buy-on-dips.
Bond market Risk of steeper 2y10y curve is rising US-euro spread: wider but not before we see Fed hikes Peripheral spreads: ECB support Credit spreads: neutral	ECB to prolong the QE programme by another six months. But tapering is looming Fed on hold until 2017. Risk of earlier hike is evident. Long-end sell-off to impact long EUR rates QE buying, bond scarcity and hunt for yield mean further tightening. But politics and tapering remain risk factors. ECB keeping spreads contained.
FX EUR/USD - lower near term on ECB, technicals. Then higher. EUR/GBP - further GBP weakness in store over next 6M USD/JPY - neutral with short-term risks skewed slightly to the upside EUR/SEK - to move gradually lower over coming months EUR/NOK - short-term risks skewed to the upside	Short-term downside risks from technicals, ECB; valuations and CA differential support cross in the medium to long term. Political uncertainty and not least financial account flows to send cross higher. Expect range trading in the 103-106 range. To move gradually lower on relative fundamentals and valuation. Latest move lower on Norges Bank and oil seems excessive. Risk of spike higher near term before moving lower in 2017.
Commodities Oil price – uncertainty about details of OPEC deal Metal prices – recovery in Chinese construction fading in 2017 Gold price – support from central banks is fading Agriculturals – support from disruptive weather, higher oil price	Rising USD and market doubting OPEC deal to send oil price lower. Consolidation in mining industry puts a floor under prices, awaiting support from higher global economic growth. Looming Fed hike and ECB tapering fear has hit gold price. Attention has turned to La Niña weather risks in H2 16.

Source: Danske Bank Markets

Scandi update

Denmark – private consumption set to disappoint in Q3

The latest figures from Statistics Denmark reveal disappointing retail sales in Q3. Despite a rise of 0.3% in September, retail sales fell 0.4% from Q2 to Q3. Dankort debit card data have also been disappointing. This points to weak growth in private consumption in Q3, which is bad news given that it is largely private consumption that has kept the Danish economy on track. Q4 has also started poorly, with consumer confidence edging down in October to its lowest level since summer 2013. In contrast, there was good news from the labour market, where another 6,000 jobs were created in August and the previously weak July figures were revised up to an increase of 1,600 jobs.

Sweden – less buoyant labour market developments

In a long-awaited release on labour market developments from Statistics Sweden, we can see through the noisy summer months and get a more genuine look at the situation on labour markets. At first sight, there was indeed an improvement in comparison with last month's very poor outcome. However, a more loosely defined trend channel (see chart right) would imply that, despite this strengthening, labour markets have clearly decelerated over the past few months. (This is even more pronounced when looking at the admittedly more volatile number of hours worked.) This goes hand in hand with more subdued demand growth, something we believe Sweden will need to adapt to over the coming months and quarters. Looking at the third quarter in total, we also find evidence for a relatively weak contribution to growth. To reach the optimistic overall GDP forecasts from, for example, the Riksbank, we would need to see a strong acceleration in productivity. Alas, we see little evidence of this materialising.

Norway – unchanged lending practices

Norges Bank's bank lending survey for Q3 revealed only minor changes in lending practices. Banks reported continued tightening of credit standards for businesses, mainly for macro and industry-specific reasons. This probably relates to the problems in some oil-related industries, especially rigs and supply vessels. However, the tightening was somewhat less than in the previous survey, which suggests that the outlook is now slightly brighter. Otherwise, banks reported slightly stronger demand for credit from households, which was unsurprising given the rapidly rising prices and turnover in the housing market.

Q3 retail sales disappoint
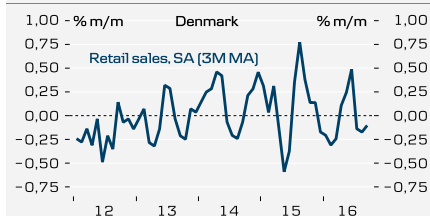
Source: Statistics Denmark

Labour markets decelerating
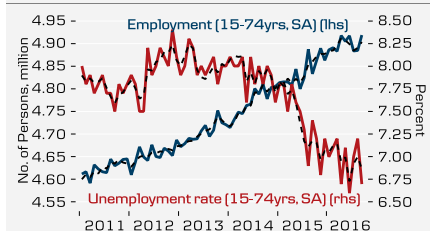
Source: SCB. Danske Bank calculations

Slight tightening
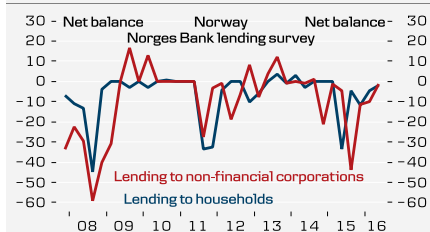
Source: Macrobond Financial

Latest research from Danske Bank Markets

21/10 US election monitor: Trump did not beat Clinton in the last debate - still seems most likely that Clinton becomes the next President

With less than three weeks to go before Election Day on 8 November, the third and last TV debate between Hillary Clinton and Donald Trump was held in the early hours of Thursday.

20/10 ECB Review: No ECB QE tapering discussion - we expect QE extension

The ECB kept all policy rates unchanged, maintained its monthly QE purchases of EUR80bn and still intends to end its purchases in March 2017.

20/10 Flash Comment - Russian output and demand: consumer's dawn

Russia's output surprises on the negative side.

19/10 Research Denmark: Danish CPI and euro area HICP inflation set to move closer in coming years

In recent years, primarily rent increases have pulled Danish CPI above euro area HICP.

17/10 IMF Annual Meeting Special: Emerging markets set to be main driver of global growth

This note summarises our findings from meetings with IMF mission chiefs on the largest advanced countries and emerging and frontier markets at the recent IMF/World Bank annual meetings.

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	2015	1.0	2.3	-0.7	1.1	-0.3	0.3	0.0	0.5	4.6	-1.7	40.4	7.0
	2016	1.1	1.6	1.0	1.0	-0.2	0.6	0.7	0.3	4.2	-0.6	38.3	6.4
	2017	1.7	1.7	0.7	2.9	0.3	2.8	3.5	1.2	4.0	-1.2	36.8	6.6
Sweden	2015	4.1	2.7	2.5	7.2	0.2	5.6	5.5	0.0	7.4	-0.1	43.4	4.8
	2016	3.2	2.2	4.0	7.3	0.2	2.9	5.0	0.9	6.9	-0.6	41.8	4.8
	2017	1.7	1.1	2.1	2.3	0.1	3.0	3.4	0.8	6.8	-0.5	40.5	5.0
Norway	2015	1.0	2.0	1.9	-4.2	0.3	3.4	1.1	2.1	3.0	-	-	-
	2016	1.0	1.8	2.5	-1.3	0.0	-1.0	0.5	3.2	3.3	-	-	-
	2017	2.3	2.2	3.0	-1.4	-0.2	1.3	1.9	2.2	3.3	-	-	-

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	2015	1.9	1.7	1.4	2.9	-	6.1	6.1	0.0	10.9	-2.1	90.7	3.6
	2016	1.5	1.5	1.7	1.8	-	2.4	2.5	0.2	10.1	-2.0	90.2	3.7
	2017	1.1	0.9	1.1	0.9	-	3.3	3.1	1.3	9.8	-1.8	89.8	3.6
Germany	2015	1.5	1.9	2.8	1.1	-	4.6	5.0	0.1	4.6	0.7	71.2	8.8
	2016	1.7	1.3	3.6	1.8	-	3.0	2.9	0.3	4.3	0.2	68.6	8.5
	2017	1.4	1.2	1.4	0.9	-	3.4	3.3	1.5	4.2	0.0	66.5	8.3
France	2015	1.2	1.5	1.4	0.9	-	6.0	6.4	0.1	10.4	-3.5	95.8	-1.5
	2016	1.2	1.6	1.4	2.3	-	0.9	2.2	0.4	10.0	-3.5	96.5	-1.1
	2017	0.7	0.7	1.1	0.9	-	2.8	2.5	1.4	9.8	-3.4	97.5	-1.0
Italy	2015	0.6	0.9	-0.7	0.6	-	4.1	5.8	0.1	11.9	-2.6	132.7	2.2
	2016	0.8	1.1	0.6	1.6	-	1.5	2.5	-0.1	11.5	-2.6	132.9	2.4
	2017	0.7	0.6	0.5	0.9	-	3.5	3.4	1.3	11.3	-2.3	132.5	2.3
Spain	2015	3.2	3.1	2.7	6.4	-	5.4	7.5	-0.6	22.1	-5.1	99.2	1.4
	2016	2.8	3.0	0.5	3.3	-	5.4	5.2	-0.4	20.1	-4.0	100.5	1.5
	2017	1.5	1.4	0.8	1.6	-	3.8	3.5	1.6	19.6	-3.5	100.0	1.3
Finland	2015	0.2	1.5	0.4	0.7	-	-0.2	1.9	-0.2	9.4	-2.7	62.6	-0.4
	2016	0.8	1.5	0.0	3.5	-	0.5	1.0	0.4	8.9	-2.4	65.0	-0.5
	2017	1.0	0.7	-0.5	3.0	-	2.5	2.0	1.0	8.6	-2.4	67.0	0.0

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	2015	2.4	3.1	0.7	4.0	0.2	1.1	4.9	0.1	5.3	-2.6	105	-2.7
	2016	1.7	2.7	0.9	0.6	-0.2	0.3	0.9	1.3	4.8	-2.9	105	-2.9
	2017	1.9	2.3	0.8	2.3	0.0	2.4	2.8	2.3	4.6	-2.8	103	-3.3
China	2015	6.8	-	-	-	-	-	-	1.7	4.2	-0.8	41.8	2.4
	2016	6.7	-	-	-	-	-	-	2.3	4.2	-0.8	42.8	2.3
	2017	6.6	-	-	-	-	-	-	2.0	4.3	-1.0	43.5	2.5
UK	2015	2.2	2.6	1.4	3.3	0.3	4.8	5.8	0.0	5.4	-5.0	87.4	-5.2
	2016	1.8	2.6	0.9	0.2	0.3	2.4	3.3	0.6	5.0	-3.9	88.9	-5.5
	2017	0.7	1.4	0.0	-0.7	0.0	2.7	2.5	2.3	5.2	-2.9	88.3	-5.2

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	21-Oct	0.50	0.88	1.07	1.59	108.9	-	889.9
	+3m	0.50	0.94	1.05	1.70	108.0	-	879.6
	+6m	0.75	1.06	1.05	1.80	111.0	-	846.8
	+12m	1.00	1.30	1.55	2.00	115.0	-	800.0
EUR	21-Oct	0.00	-0.31	-0.19	0.40	-	108.9	968.8
	+3m	0.00	-0.30	-0.25	0.40	-	108.0	950.0
	+6m	0.00	-0.30	-0.20	0.60	-	111.0	940.0
	+12m	0.00	-0.30	-0.10	1.00	-	115.0	920.0
JPY	21-Oct	-0.10	-0.01	-0.03	0.08	113.0	103.8	8.57
	+3m	-0.10	-	-	-	114.5	106.0	8.30
	+6m	-0.10	-	-	-	117.7	106.0	7.99
	+12m	-0.10	-	-	-	121.9	106.0	7.55
GBP	21-Oct	0.25	0.41	0.58	1.02	89.1	122.2	1087.6
	+3m	0.25	0.28	0.40	0.90	91.0	118.7	1044.0
	+6m	0.10	0.19	0.40	0.90	92.0	120.7	1021.7
	+12m	0.10	0.20	0.45	1.20	90.0	127.8	1022.2
CHF	21-Oct	-0.75	-0.72	-0.66	-0.17	108.4	99.6	893.6
	+3m	-0.75	-	-	-	109.0	100.9	871.6
	+6m	-0.75	-	-	-	112.0	100.9	839.3
	+12m	-0.75	-	-	-	115.0	100.0	800.0
DKK	21-Oct	0.05	-0.20	0.01	0.66	743.9	683.3	130.2
	+3m	0.05	-0.20	-0.05	0.65	744.3	689.1	127.6
	+6m	0.05	-0.20	0.00	0.85	744.3	670.5	126.3
	+12m	0.05	-0.20	0.10	1.25	744.3	647.2	123.6
SEK	21-Oct	-0.50	-0.51	-0.45	0.71	968.8	889.9	100.0
	+3m	-0.50	-0.55	-0.35	0.65	950.0	879.6	-
	+6m	-0.50	-0.50	-0.30	0.70	940.0	846.8	-
	+12m	-0.50	-0.50	-0.25	0.85	920.0	800.0	-
NOK	21-Oct	0.50	1.11	1.20	1.58	895.8	822.8	108.1
	+3m	0.50	1.00	1.20	1.50	920.0	851.9	103.3
	+6m	0.50	0.90	1.20	1.60	900.0	810.8	104.4
	+12m	0.50	0.90	1.30	2.00	880.0	765.2	104.5

Equity markets

Regional		Risiko profil 3 mdr.	Pris trend 3 mdr.	Pris trend 12 mdr.	Regionale rekommen-dationer
USA (USD)	Expensive valuation, weak earnings	Medium	-8 -+3%	0-5%	Underweight
Emerging markets (local ccy)	Relative stronger GDP and EPS momentum to DM	Medium	-5 -+5%	0-10%	Overweight
Japan (JPY)	JPY appreciation, negative EPS revisions	Medium	-8 -+3%	0-5%	Underweight
Euro area (EUR)	Strong fundamentals, but unloved and underowned	Medium	-5 -+5%	0-10%	Overweight
UK (GBP)	Supported by weak GBP, hit by Brexit	Medium	-8 -+3%	0-5%	Underweight
Nordics (local ccy)	Fairly strong earnings	Medium	-5 -+5%	0-10%	Overweight

Commodities

	21-Oct	2016				2017				Average	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2016	2017
NYMEX WTI	51	34	46	45	50	52	54	56	58	44	55
ICE Brent	52	35	47	47	50	52	54	56	58	45	55
Copper	4,652	4,672	4,731	4,792	4,900	5,000	5,100	5,200	5,300	4,774	5,150
Zinc	2,287	1,687	1,930	2,255	2,150	2,150	2,150	2,100	2,100	2,005	2,125
Nickel	10,130	8,537	8,885	10,308	10,700	10,900	11,100	11,300	11,500	9,607	11,200
Aluminium	1,612	1,516	1,584	1,632	1,700	1,750	1,800	1,850	1,900	1,608	1,825
Gold	1,264	1,183	1,260	1,335	1,325	1,300	1,275	1,250	1,225	1,276	1,263
Matif Mill Wheat	163	157	159	160	165	167	169	171	173	160	170
Rapeseed	392	359	370	368	390	400	390	380	370	372	385
CBOT Wheat	417	466	470	406	425	450	475	500	525	442	488
CBOT Corn	351	363	391	331	390	400	410	415	420	369	411
CBOT Soybeans	977	881	1,059	1,013	1,050	1,100	1,075	1,050	1,025	1,001	1,063

Source: Danske Bank Markets

Calendar

Key Data and Events in Week 43

During the week			Period	Danske Bank	Consensus	Previous

Monday, October 24, 2016			Period	Danske Bank	Consensus	Previous
1:50	JPY	Exports	y/y (%)	Sep		-0.1	-0.1
1:50	JPY	Import	y/y (%)	Sep		-0.2	-0.2
1:50	JPY	Trade balance, s.a.	JPY bn	Sep		211	408.4
2:30	JPY	Nikkei Manufacturing PMI, preliminary	Index	Oct			50.4
7:00	JPY	Leading economic index, final	Index	Aug			101.2
9:00	FRF	PMI manufacturing, preliminary	Index	Oct	50.7		49.7
9:00	FRF	PMI services, preliminary	Index	Oct	53.0		53.3
9:30	DEM	PMI manufacturing, preliminary	Index	Oct	55.0	54.3	54.3
9:30	DEM	PMI services, preliminary	Index	Oct	51.2	51.8	50.9
10:00	EUR	PMI manufacturing, preliminary	Index	Oct	53.5	52.6	52.6
10:00	EUR	PMI services, preliminary	Index	Oct	52.4	52.4	52.2
10:00	EUR	PMI composite, preliminary	Index	Oct		52.8	52.6
15:00	USD	Fed's Dudley (voter, dovish) speaks					
15:05	USD	Fed's Bullard (voter, dovish) speaks					
15:45	USD	Markit manufacturing PMI, preliminary	Index	Oct	51.5	51.5	51.5
18:15	CHF	Centralbank - press briefing					
19:30	USD	Fed's Evans (non-voter, dovish) speaks					
20:30	USD	Fed's Powell (voter, neutral) speaks					

Tuesday, October 25, 2016			Period	Danske Bank	Consensus	Previous
8:45	FRF	Business confidence	Index	Oct			102.0
9:30	SEK	PPI	m/m|y/y	Sep			1.0%|-0.3%
10:00	DEM	IFO - business climate	Index	Oct	109.7	109.6	109.5
10:00	DEM	IFO - current assessment	Index	Oct	115.3	115.0	114.7
10:00	DEM	IFO - expectations	Index	Oct	104.8	104.7	104.5
14:00	HUF	Central Bank of Hungary rate decision	%			0.9%	0.9%
15:00	USD	S&P Case Shiller House prices	Index	Aug			190.9
15:00	USD	FHFA house price index	m/m	Aug		0.5%	0.5%
16:00	USD	Conference Board consumer confidence	Index	Oct		101.5	104.1
17:30	EUR	ECB's Draghi speaks in Berlin					
19:20	USD	Fed's Lockhart (non-voter, neutral) speaks					

Wednesday, October 26, 2016			Period	Danske Bank	Consensus	Previous
2:30	AUD	CPI	q/q|y/y	3rd quarter		0.5%|1.1%	0.4%|1.0%
7:00	JPY	Small business confidence	Index	Oct			47.7
8:00	DEM	GfK consumer confidence	Net. Bal.	Nov		10	10
8:45	FRF	Consumer confidence	Index	Oct			97.0
9:30	SEK	Trade balance	SEK bn	Sep			-10.3
9:30	SEK	Debt office 2017-2018 borrowing forecast					
13:00	USD	MBA Mortgage Applications	%				0.6%
14:30	USD	Advance goods trade balance	USD bn	Sep		-60.5	-59.2
15:45	USD	Markit service PMI, preliminary	Index	Oct	53.0	52.3	52.3
15:45	USD	Markit composite PMI, preliminary	Index	Oct			52.3
16:00	USD	New home sales	1000 (m/m)	Sep		602	609.0 (-7.6%)
16:30	USD	DOE U.S. crude oil inventories	K				-5247
23:45	NZD	Trade balance	NZD M	Sep		-1123	-1265

Source: Danske Bank Markets

Calendar — continued

Thursday, October 27, 2016				Period	Danske Bank	Consensus	Previous
-	EUR	EU summit in Brussels					
3:30	CNY	Industrial profits	y/y	Sep			19.5%
8:00	NOK	Unemployment (LFS)	%	Aug	4.9%		5.0%
9:00	SEK	Consumer confidence	Index	Oct			100.4
9:00	SEK	Economic Tendency Survey	Index	Oct			103.0
9:00	SEK	Manufacturing confidence	Index	Oct			101.0
9:30	SEK	Riksbank, rate decision	%		-0.5%		-0.5%
9:30	SEK	Household lending	y/y	Sep			7.5%
10:00	NOK	Norges Banks monetary policy meeting	%				0.5%
10:00	ITL	Business confidence	Index	Oct			101.9
10:00	EUR	Money supply (M3)	y/y	Sep	5.2%	5.0%	5.1%
10:00	EUR	Loans to households (adj. for sales and sec.)	%	Sep		5.0%	5.1%
10:00	EUR	Loans to NFCs (adj. for sales and sec.)	%	Sep		5.0%	5.1%
10:30	GBP	GDP, first estimate	q/q|y/y	3rd quarter	0.4%|2.2%	0.3%|2.1%	0.7%|2.1%
10:30	GBP	Index of services	m/m|3m/3m	Aug		0.0%|0.8%	0.4%|0.6%
14:30	USD	Initial jobless claims	1000				260
14:30	USD	Capital goods orders, non-defense ex air, preliminary	%	Sep		0.0%	0.9%
14:30	USD	Durable goods orders, preliminary	m/m	Sep		0.1%	0.1%
16:00	USD	Pending home sales	m/m|y/y	Sep		1.2%|...	-2.4%|4.0%
19:00	EUR	ECB's Mersch speaks in Germany					

Friday, October 28, 2016				Period	Danske Bank	Consensus	Previous
-	EUR	Moody's may publish Netherlands's debt rating					
-	EUR	Moody's may publish Finland's debt rating					
-	GBP	Nationwide house prices	m/m|y/y	Oct		0.2%|4.9%	0.3%|5.3%
-	GBP	S&P publishes UK's debt rating					
1:30	JPY	CPI - national ex. fresh food	y/y	Sep		-0.5%	-0.5%
1:30	JPY	CPI - national ex. fresh food and energy	y/y	Sep		0.1%	0.2%
1:30	JPY	CPI- Tokyo	y/y	Oct		-0.4%	-0.5%
1:30	JPY	CPI - Tokyo ex fresh food	y/y	Oct		-0.5%	-0.5%
1:30	JPY	Household spending	y/y	Sep		-2.7%	-4.6%
1:30	JPY	Unemployment rate	%	Sep		3.1%	3.1%
1:30	JPY	Job-to-applicant ratio		Sep		1.38	1.37
1:30	JPY	CPI - national	y/y	Sep		-0.5%	-0.5%
7:30	FRF	GDP, preliminary	q/q|y/y	3rd quarter	0.2%|...	0.4%|1.3%	-0.1%|1.3%
8:00	NOK	Retail sales, s.a.	m/m	Sep	0.4%		0.4%
8:45	FRF	Household consumption	m/m|y/y	Sep			0.7%|1.0%
8:45	FRF	HICP, preliminary	m/m|y/y	Oct	...|0.6%		-0.2%|0.5%
9:00	DKK	Confidence indicator, industry, s.a.	Net balance	Oct			-8
9:00	ESP	HICP, preliminary	m/m|y/y	Oct	...|0.2%	---|0.1%	0.7%|0.0%
9:00	ESP	GDP, preliminary	q/q|y/y	3rd quarter	0.7%|...	0.7%|3.1%	0.8%|3.2%
9:00	DKK	CB's securities statistics		Aug			
9:00	DKK	Foriegn portfolio investments		Sep			
9:30	SEK	Retail sales s.a.	m/m|y/y	Sep	0.5%|3.0%		0.6%|2.8%
9:30	EUR	ECB's Coeure speaks in Frankfurt					
10:00	NOK	Unemployment	%	Oct	2.8%		2.8%
11:00	EUR	Business climate indicator	Net bal.	Oct		0.5	0.5
11:00	EUR	Industrial confidence	Net bal.	Oct		-1.8	-1.7
11:00	EUR	Economic confidence	Index	Oct		104.9	104.9
11:00	EUR	Consumer confidence, final	Net bal.	Oct			
11:00	EUR	Service confidence	Net bal.	Oct		10.0	10.0
12:30	RUB	Central Bank of Russia rate decision	%		10.0%	10.0%	10.0%
14:00	DEM	HICP, preliminary	m/m|y/y	Oct	...|0.6%	0.1%|0.6%	0.0%|0.5%
14:30	USD	GDP price deflator, first release, preliminary	q/q	3rd quarter		1.3%	2.3%
14:30	USD	GDP, first release, preliminary	q/q ann.	3rd quarter	2.0%	2.5%	1.4%
14:30	USD	Employment cost index	m/m	3rd quarter		0.6%	0.6%
14:30	USD	Personal consumption, preliminary	q/q	3rd quarter		2.6%	4.3%
14:30	USD	PCE core, preliminary	q/q	3rd quarter		1.6%	1.8%
16:00	USD	University of Michigan Confidence, final	Index	Oct		88.1	87.9

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

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

Source: Danske Bank Markets

Disclosures

This research report has been prepared by Danske Bank Markets, a division of Danske Bank A/S ('Danske Bank'). The author of the research Mathias Røn Mogensen, Analyst.

Analyst certification

Each research analyst responsible for the content of this research report certifies that the views expressed in the research report accurately reflect the research analyst's personal view about the financial instruments and issuers covered by the research report. Each responsible research analyst further certifies that no part of the compensation of the research analyst was, is or will be, directly or indirectly, related to the specific recommendations expressed in the research report.

Regulation

Danske Bank is authorised and subject to regulation by the Danish Financial Supervisory Authority and is subject to the rules and regulation of the relevant regulators in all other jurisdictions where it conducts business. Danske Bank is subject to limited regulation by the Financial Conduct Authority and the Prudential Regulation Authority (UK). Details on the extent of the regulation by the Financial Conduct Authority and the Prudential Regulation Authority are available from Danske Bank on request.

The research reports of Danske Bank are prepared in accordance with the Danish Finance Society's rules of ethics and the recommendations of the Danish Securities Dealers Association.

Conflicts of interest

Danske Bank has established procedures to prevent conflicts of interest and to ensure the provision of high-quality research based on research objectivity and independence. These procedures are documented in Danske Bank's research policies. Employees within Danske Bank's Research Departments have been instructed that any request that might impair the objectivity and independence of research shall be referred to Research Management and the Compliance Department. Danske Bank's Research Departments are organised independently from and do not report to other business areas within Danske Bank.

Research analysts are remunerated in part based on the overall profitability of Danske Bank, which includes investment banking revenues, but do not receive bonuses or other remuneration linked to specific corporate finance or debt capital transactions.

Financial models and/or methodology used in this research report

Calculations and presentations in this research report are based on standard econometric tools and methodology as well as publicly available statistics for each individual security, issuer and/or country. Documentation can be obtained from the authors on request.

Risk warning

Major risks connected with recommendations or opinions in this research report, including a sensitivity analysis of relevant assumptions, are stated throughout the text.

Expected updates

None.

Date of first publication

See the front page of this research report for the date of first publication.

General disclaimer

This research has been prepared by Danske Bank Markets (a division of Danske Bank A/S). It is provided for informational purposes only. It does not constitute or form part of, and shall under no circumstances be considered as, an offer to sell or a solicitation of an offer to purchase or sell any relevant financial instruments (i.e. financial instruments mentioned herein or other financial instruments of any issuer mentioned herein and/or options, warrants, rights or other interests with respect to any such financial instruments) ('Relevant Financial Instruments').

The research report has been prepared independently and solely on the basis of publicly available information that Danske Bank considers to be reliable. While reasonable care has been taken to ensure that its contents are not untrue or misleading, no representation is made as to its accuracy or completeness and Danske Bank, its affiliates and subsidiaries accept no liability whatsoever for any direct or consequential loss, including without limitation any loss of profits, arising from reliance on this research report.

The opinions expressed herein are the opinions of the research analysts responsible for the research report and reflect their judgement as of the date hereof. These opinions are subject to change, and Danske Bank does not undertake to notify any recipient of this research report of any such change nor of any other changes related to the information provided in this research report.

This research report is not intended for, and may not be redistributed to, retail customers in the United Kingdom or the United States.

This research report is protected by copyright and is intended solely for the designated addressee. It may not be reproduced or distributed, in whole or in part, by any recipient for any purpose without Danske Bank's prior written consent.

Disclaimer related to distribution in the United States

This research report was created by Danske Bank A/S and is distributed in the United States by Danske Markets Inc., a U.S. registered broker-dealer and subsidiary of Danske Bank A/S, pursuant to SEC Rule 15a-6 and related interpretations issued by the U.S. Securities and Exchange Commission. The research report is intended for distribution in the United States solely to 'U.S. institutional investors' as defined in SEC Rule 15a-6. Danske Markets Inc. accepts responsibility for this research report in connection with distribution in the United States solely to 'U.S. institutional investors'.

Danske Bank is not subject to U.S. rules with regard to the preparation of research reports and the independence of research analysts. In addition, the research analysts of Danske Bank who have prepared this research report are not registered or qualified as research analysts with the NYSE or FINRA but satisfy the applicable requirements of a non-U.S. jurisdiction.

Any U.S. investor recipient of this research report who wishes to purchase or sell any Relevant Financial Instrument may do so only by contacting Danske Markets Inc. directly and should be aware that investing in non-U.S. financial instruments may entail certain risks. Financial instruments of non-U.S. issuers may not be registered with the U.S. Securities and Exchange Commission and may not be subject to the reporting and auditing standards of the U.S. Securities and Exchange Commission.