

# Weekly Focus Sweden

## A slowly fought trade war

### Market movers ahead

- In the **euro area**, we project HICP inflation in March will bounce back to 1.5% y/y supported by Easter effects.
- Several **Fed** members are due to speak in coming weeks, giving further insight into the future hiking pace.
- Average hourly earnings will again be in focus in the **US** labour market report for March. We expect PCE core inflation figures to remain unchanged at 1.5% y/y.
- In **Japan**, keep an eye on private consumption and labour market data.
- We expect **Chinese** Caixin PMI manufacturing to decline, driven by financial tightening measures.
- In **Scandinavia**, Danish business confidence and Norwegian house prices are due for release.

### Global macro and market themes

- The trade war is being fought very slowly.
- The Fed lifted its rate path slightly due to Trumponomics.
- We are keeping an eye on the increasing Libor/OIS spread.
- The Brexit transition deal is not a game changer for EUR/GBP.

### Focus

- *ECB Research – 10bp, 20bp or...? ECB in uncharted waters*, 20 March.
- *Flash Comment – Moderate Chinese retaliation – but keeping the powder dry*, 23 March.
- *FOMC Review – Only slightly steeper rate path due to Trumponomics*, 21 March.

### Contents

Market movers .....	2
Global Macro and Market Themes .....	5
Scandi Update .....	7
Macroeconomic forecast .....	9
Financial forecast .....	10
Calendar .....	11

### Financial views

#### Major indices

	23-Mar	3M	12M
10yr EUR swap	1.01	1.20	1.60
EUR/USD	123	123	128
ICE Brent oil	70	62	64

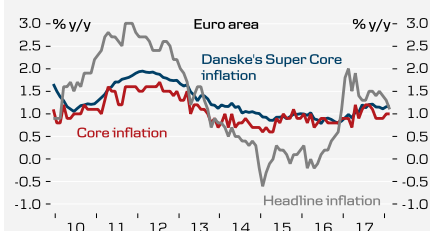
Source: Danske Bank

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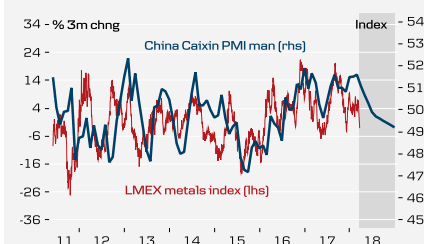
@Danske\_Research

#### Eurozone inflation set to bounce back in March



Source: Eurostat, Macrobond Financial, Danske Bank

#### Gradual decline in China Caixin PMI for the rest of 2018



Source: Markit, Macrobond Financial, Danske Bank

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# Market movers

## Global

- In the **US**, there are several important data releases over the coming two weeks. **PCE core inflation** for February is due for release on Thursday. CPI core came in at 0.2% m/m in February and, therefore, we expect PCE core inflation to come in at 0.15% m/m, which translates into 1.5% y/y, unchanged from January. Normally, there is some noise in the data, so we do not think we should read too much into the stronger-than-expected numbers from December and January. Still, we think there are upside risks for core inflation because of the tax reform but it will take time for it to materialise as we argued in *Part 1: Global Inflation – US stimulus and closing output gaps pose upside risk*, 26 February.

Next week also brings the **personal spending** numbers for February. Retail sales fell for the third month in a row in February which is surprising as consumer confidence is extremely high. This points to a slowdown in consumer spending in Q1 but overall we remain positive on private consumption due to the high degree of optimism among others.

After the FOMC meeting on Wednesday, a lot of **Fed members are due to speak** in coming weeks, which should give us further insight into who expects three and who expects four hikes this year. For more on the Fed, see *FOMC Review – Only slightly steeper rate path due to Trumponomics*, 21 March.

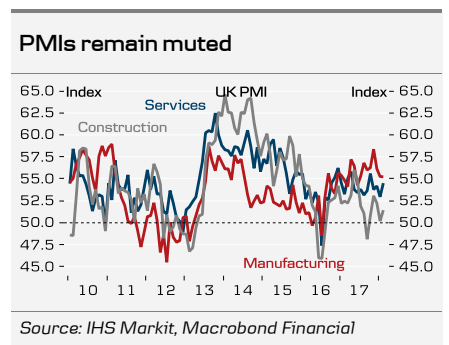
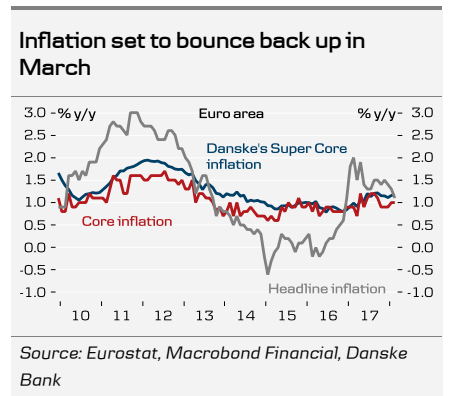
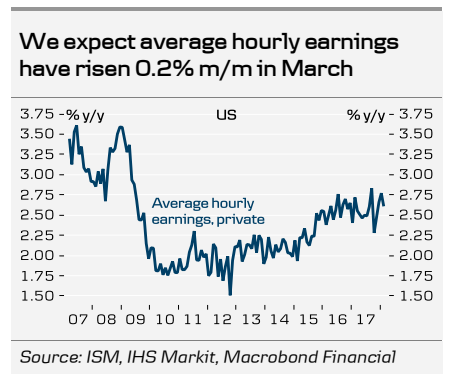
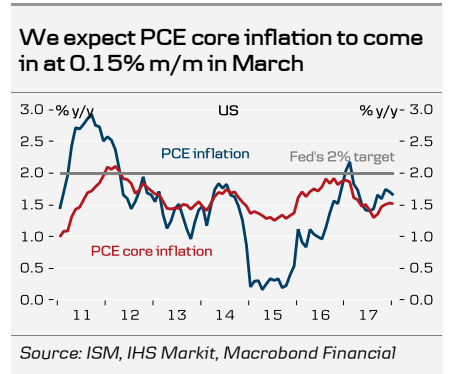
The following week brings the **labour market report** for March, when focus will once again be on average hourly earnings. Overall, the labour market has been in good shape, which we expect to continue. Average hourly earnings rose by only 0.1% m/m in February (2.6% y/y). We estimate average hourly earnings increased by 0.2% in line with the recent trend, which would translate into annual wage growth of 2.7% y/y. Hence, the underlying inflationary pressure still seems fairly moderate. The week after Easter also brings the **ISM manufacturing index** for March.

- In the **euro area**, **HICP** figures for March are due for release on Wednesday, 4 April. Since November 2017, we have seen declining headline inflation, falling from 1.5% y/y to 1.1% y/y in February. The decline has been driven mainly by temporary energy and food price base effects. However, we believe the effect will wear off in March, causing headline inflation to bounce back to 1.5% y/y. We expect headline inflation to remain at 1.4-1.5% in coming months. We project **core inflation** will increase temporarily to 1.2% y/y in March due to the Easter effect. Despite the expected increase in March, we do not expect core inflation to break above 1.3% in 2018, as underlying price pressure still seems subdued. Neither wage growth, which remains below its historical average, nor our ‘super core’ inflation estimate points to a strong pickup in core inflation.

Note that **German inflation** is due for release on Thursday 29 March, in advance of the euro figures.

- After a hectic week in the **UK**, next week is set to be quieter, as there are no important events scheduled yet and mostly tier-2 data releases. The most interesting release is the **service index** (measuring actual growth in the service sector) in January.

The week after Easter is more interesting, as we are due to get **PMIs** for March.

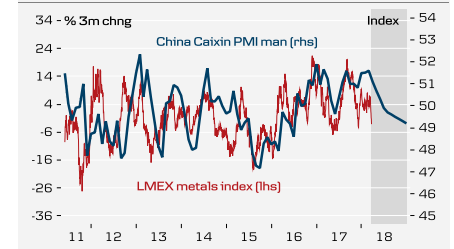


- It is time for **China** PMI manufacturing next week. We expect to see a decline in Caixin PMI manufacturing from 51.6 to 51.0. We expect the Chinese financial tightening to start feeding through to a weaker domestic economy. At the same time, we see signs that the euro area is slowing a bit, which may feed into Chinese exports. The scenario of a moderate slowdown is currently underpinned by some softening of metal prices, which generally tends to be a good real-time indicator for Chinese PMI. The official PMI manufacturing from NBS is also released. The index fell sharply in February – probably by too much in our view. Hence, we look for a small increase from 50.3 to 50.6 in March.
- In **Japan**, a series of February economic figures is set to be published over the coming two weeks. Private consumption continues to look weak and on Thursday 29 March, it will be interesting to see whether retail sales have picked up after a poor January print. On Friday 6 April, we get another indicator, as the household consumption survey ticks in. The coming weeks are heavy on labour market data as well, as we get the jobs/applicants ratio and unemployment rate on Friday 30 March. The labour market has reached a tightness of historical proportions, which has not caused earnings to increase by much, though. We do not expect this to change significantly when earnings figures tick in on Friday 6 April. The labour market could begin to pick up in coming months, though following the recent higher wage increases reported by Japanese industrial giants. Finally, we look forward to the industrial production figures and the Bank of Japan’s quarterly business Tankan survey, due out on Friday 30 March and Monday 2 April, respectively. Here, we look for any signs that the stronger JPY is taking a toll on the outlook for Japan.

**Scandi**

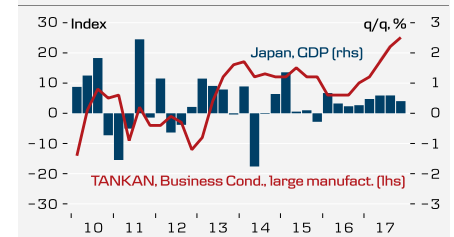
- In **Denmark**, business confidence data are scheduled for release on Tuesday. Although the manufacturing indicator has hovered around zero in recent months, this is above the level in recent years. It will be interesting to see whether there is any improvement in March. Foreign portfolio investments and securities statistics for February follow on Wednesday. The week after Easter brings March currency reserves data from the Nationalbank on the Wednesday. EUR/DKK has traded above the level of 7.4400 through March, with considerable distance to the level that Nationalbanken bought EUR/DKK to in February and March last year. Therefore, Nationalbanken has probably not intervened in the exchange market in March. January housing prices and February unemployment are due out on Thursday 5 April and February industrial production and March bankruptcies and repossessions on Friday 6 April.
- Next week is full of data in **Sweden**. NIER’s Q1 quarterly confidence survey and February household lending, PPI and trade balance should tell us more about how Q1 GDP growth is developing. Our 2018 forecast assumes 3.2 % y/y in Q1 and our GDP indicator so far suggests growth may be slowing slightly from the 3.3 % y/y recorded in Q4. Hence, data seems to be on track with our forecast.
- In **Norway**, we believe that housing prices are very close to bottoming out. The number of properties on the market is on its way down and turnover is rising relatively quickly. This means the stock-to-sales ratio levelled off in September and has now begun to fall. Historically, this has proved a good indicator of turning points in prices as well. Housing prices duly climbed 0.4% m/m in February and are now only marginally lower than they were in September. We expect a further rise of 0.3% m/m in March, which would confirm that the risk of a serious crash is ever receding.

**We look for a gradual decline in China Caixin PMI rest of 2018**



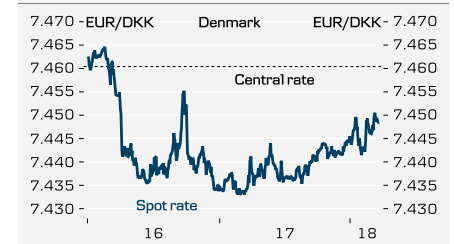
Source: Markit, Macrobond Financial, Danske Bank

**Business sentiment could moderate in wake of stronger yen**



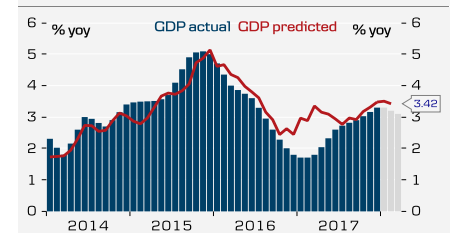
Source: Japanese Cabinet office, Bank of Japan, Macrobond Financial

**DKK has been strong against EUR**



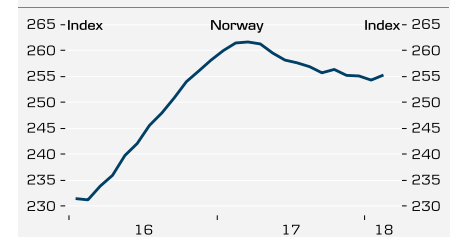
Source: Statistics Denmark

**Growth on track with our forecast**



Sources: SCB, Danske Bank

**Housing prices have stabilised**



Source: Macrobond Financial, Danske Bank

Retail sales have been highly volatile from month to month since the autumn but the underlying trend has been slightly upwards. Higher growth in real incomes, lower unemployment and more stable housing prices should bolster growth in consumer spending, even though higher interest rates are slowly but surely approaching. We expect retail sales to climb 0.5% m/m in February, paving the way for moderate growth in private consumption in Q1 and so providing little reason for expectations of a rate hike after the summer to change.

**Market movers ahead**

Global movers			Event	Period	Danske	Consensus	Previous
Thurs	29-Mar	1:50	JPY Retail trade	m/m y/y	Feb	0.6% 1.7%	-1.6% 1.5%
		10:30	GBP Index of services	m/m 3m/3m	Jan	0.2% 0.6%	0.0% 0.6%
		14:00	DEM HICP, preliminary	m/m y/y	Mar	0.5% 1.6%	0.5% 1.2%
		14:30	USD PCE headline	m/m y/y	Feb	0.2% 1.7%	0.4% 1.7%
Fri	30-Mar	14:30	USD Personal spending	m/m	Feb	0.2%	0.2%
		1:30	JPY Unemployment rate	%	Feb	2.6%	2.4%
		1:30	JPY Job-to-applicant ratio		Feb	1.6	1.59
		1:50	JPY Industrial production, preliminary	m/m y/y	Feb	5.0% 2.3%	-6.8% 2.5%

Scandi movers			Event	Period	Danske	Consensus	Previous
Tue	27-Mar	6:00	DKK Danske Bank publishes Nordic Outlook				
Wed	28-Mar	8:00	NOK Retail sales, s.a.	m/m	Feb	0.5%	0.4%
		9:30	SEK Retail sales s.a.	m/m y/y	Feb	0.4% 1.5%	0.1% 1.5%

Global movers			Event	Period	Danske	Consensus	Previous
During the week	Sat	31	CNY PMI manufacturing	Index	Mar	50.6	50.3
Mon	02-Apr	1:50	JPY Tankan large manufacturers index (outlook)	Index	1st quarter		25.0
		1:50	JPY Tankan large non-manufacturers index (outlook)	Index	1st quarter		24.0
		3:45	CNY Caixin PMI manufacturing	Index	Mar	51.0	51.6
		16:00	USD ISM manufacturing	Index	Mar	59.5	60.8
Tue	03-Apr	10:30	GBP PMI manufacturing	Index	Mar		55.2
Wed	04-Apr	11:00	EUR HICP - core inflation, preliminary	y/y	Mar	1.2%	1.0%
		11:00	EUR HICP inflation, preliminary	y/y	Mar	1.5%	1.2%
Fri	06-Apr	2:00	JPY Labour cash earnings	y/y	Feb		0.7%
		14:30	USD Average hourly earnings, non-farm	m/m y/y	Mar	0.2% 2.7%	0.3% ...

Scandi movers			Event	Period	Danske	Consensus	Previous
Tue	03-Apr	8:30	SEK PMI manufacturing	Index	Mar		59.9
		9:00	NOK PMI manufacturing	Index	Mar		56.5
Thurs	05-Apr	8:30	SEK PMI services	Index	Mar		59.0

Source: Bloomberg, Danske Bank

# Global Macro and Market Themes

## Slowly fought trade war amid increasing Libor/OIS spread

### Trade war is slowly fought

Market focus remains on trade policy, as markets are still concerned about a full-blown trade war. Yesterday, Trump announced he will impose tariffs on USD60bn of imports from China, targeting 10 strategic sectors (e.g. robotics and electric vehicles) laid out by China in its 'Made in China 2025' plan and restricting Chinese investments in US companies. **As the plan is not finished yet, it supports our view this is going to be a very slowly fought trade war and the theme will pop up every now and then ahead of the US mid-term election in November.** Until we get more information about what Trump is actually going to do, China will stick to its moderate retaliation to Trump's tariffs on steel and aluminium for now. However, officials have said China will take further steps if necessary, most likely targeting imports of US aircrafts and soybeans and possibly other goods. See *Flash Comment: Moderate Chinese retaliation - but keeping the powder dry*, 23 March 2018. While important on a political level, the direct effect on Chinese GDP should not be overestimated. **Trump is targeting approximately USD50bn of Chinese goods, corresponding to 10% of Chinese exports to the US, or 0.4% of Chinese GDP.**

### Only slightly steeper Fed rate path due to Trumponomics

Despite trade war concerns, the Fed hiked rates at its meeting this week and lifted its rate hike signal for next year by nearly one full 25bp hike, now signalling a total of five hikes from now until year-end 2019, as the Fed thinks it is appropriate to tighten a bit more due to more expansionary fiscal policy. See *FOMC review: Only slightly steeper rate path due to Trumponomics*, 21 March. **We still believe the overall policy mix is going to be more expansionary, posing upside risk to the US inflation outlook.** See *Part 1: Global Inflation – US stimulus and closing output gaps pose upside risk*, 26 February.

Despite the Fed continuing its gradual hiking cycle, we stress that short-term rates are not a key driver of EUR/USD at present. **The Fed needs to change its course on policy more dramatically for it to impact USD crosses and we still see EUR/USD in the 1.21-1.26 range near term with markets being more focused on trade policy.** Our medium-term story remains unchanged, as capital flow reversal and valuation should support EUR/USD on a 6-12M horizon. We target 1.28 in 12M.

### Today's key points

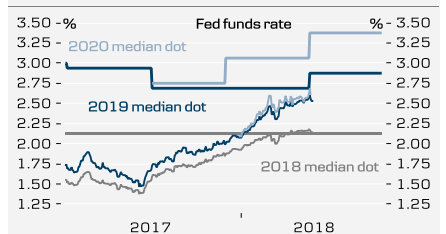
- Trade war is very slowly fought.
- The Fed lifted its rate path slightly due to Trumponomics.
- We are keeping an eye on the increasing Libor/OIS spread
- Brexit transition deal is not a game changer for EUR/GBP.

### Ten focus sectors identified in 'Made in China 2025'

1. Agricultural equipment
2. Rail equipment (high-speed trains)
3. High-end numerical control machinery and automation
4. New materials
5. Maritime engineering and high-tech vessel manufacturing
6. Aerospace and aviation equipment
7. Electrical equipment
8. Energy-saving vehicles
9. Information technology
10. Biomedicine and high-performance medical apparatus

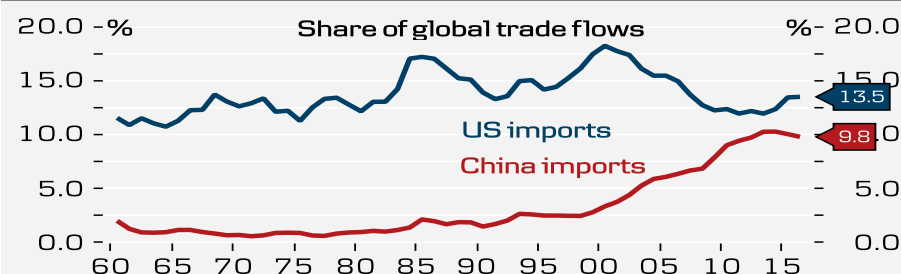
Source: China Daily, 30 March 2015

### Fed is still priced too softly next year



Source: Federal Reserve, Bloomberg, Macrobond Financial

### China has become more important for global trade over the past 15 years



Source: World Bank World Development Indicators, Macrobond Financial, Danske Bank

## Higher Libor/OIS spread is on our radar

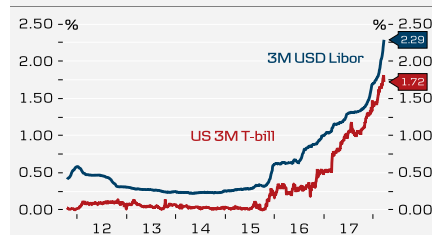
The 3M Libor/OIS spread has been on the rise recently and has now reached 55bp, the highest since 2009 (higher than during the European debt crisis and the panic in 2016). The spread is a measure of the premium banks pays to borrow in the interbank market relative to the risk free 3M OIS swap rate and is usually considered a stress indicator. **As there are no other indicators of increasing stress in the banking sector, it seems like the price of USD liquidity is the main driver, in our view. We see four main reasons for the higher 3M USD Libor rates:** (1) higher issuance of US Treasury bills due to higher US deficit has increased US T-bill yields, (2) the US Treasury has begun rebuilding its cash buffer at the Federal Reserve after the resuspension of the US debt limit, (3) the Fed has begun reducing its balance sheet and the pace is increasing and (4) US repatriation of overseas earnings is removing a large cash pool from the global USD funding market.

**We are not concerned yet but it is one of the things we are looking out for right now.** We expect spreads to remain relatively wide going forward due to the balance sheet reduction and US repatriation but the flow effect from the recent US T-bill issuance and the rebuild of US Treasury's cash buffer at the Fed should be transitory.

## Brexit transition deal is not a game changer

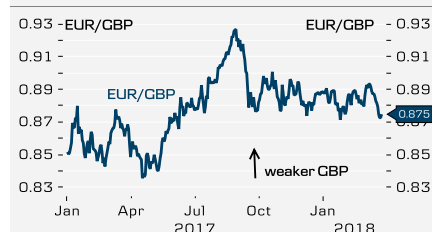
This week, the EU and UK reached an agreement on a transition period lasting from 30 March 2019 until year-end 2020. While positive, it is not the game changer and in any case a deal was widely expected. The negotiations on the future relationship are going to be much more complicated, not least with respect to the outstanding Irish border issue. EUR/GBP fell on the transition agreement but we do not expect EUR/GBP to move significantly lower before we get more clarification on what the future relationship is going to look like. We target EUR/GBP at 0.86 in 6M and 0.84 in 12M. Our call for a lower EUR/GBP is also supported by Bank of England, as the BoE meeting this week has not changed our view that the BoE will hike twice this year (May and November), see *Bank of England review: BoE still on track for a May hike*, 22 March.

High 3M USD Libor rates driven partly by higher US T-bill yields



Source: Macrobond Financial

Brexit transition deal not a game changer for EUR/GBP



Source: Bloomberg, Macrobond Financial

### Financial views

Asset class	Main factors
<b>Equities</b> Positive on 3-12 month horizon.	Strong business cycle and near double digit earnings growth in most major regions. Low rates drive demand for risk assets.
<b>Bond market</b> German/Scandi yields - in recent range for now, higher in EUR 2y10y steeper, USD 2y10y flatter US-euro spread - short-end to widen further Peripheral spreads - tightening	ECB to normalise gradually only due to lack of wage pressure and stronger euro. ECB on hold for a long time. The ECB keeps a tight leash on the short end of the curve. But 10Y higher as US impact. The spread in the short-end to widen further as Fed continues to hike Economic recovery, ECB stimuli, better fundamentals, an improved political picture and rating upgrades to lead to further tightening despite the recent strong moves. Italy still a risk
<b>FX &amp; Commodities</b> EUR/USD - rangebound near term EUR/GBP - gradually lower over the medium term USD/JPY - lower short term EUR/SEK - risk to the topside EUR/NOK - to move lower, but near-term topside risk Oil price - starting to correct lower again	In 1.21-1.26 range for now; supported longer term by valuation and capital-flow reversal due to ECB 'normalisation' Brexit uncertainty dominates but GBP should strengthen in 6-12M on Brexit clarification and BoE rate hikes. JPY to strengthen in coming months due to portfolio flows into Japan, stretched JPY positioning and fragile risk markets. Negative on the SEK due to lower growth, subdued inflation and too aggressive RB pricing; eventually EUR/SEK lower but not in H1 18 Positive on NOK on valuation, relative growth, positioning, terms-of-trade, the global outlook, and Norges Bank initiating a hiking cycle. June review weakens impact of extension of OPEC+ output cuts. Geopolitical tensions around Saudi Arabia and Iran looming. Support from falling USD.

Source: Danske Bank

# Scandi Update

## Denmark – employment hits all-time high

Statistics Denmark’s monthly employment data showed a significant increase of 7,200 in the number of people in work from December to January, the biggest in the history of the statistics, taking employment above the level before the financial crisis to a new record high. This strong job creation is good news, especially as exports and consumption have seemed a little subdued in the first part of 2018.

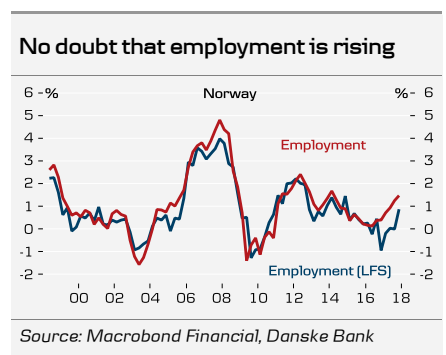
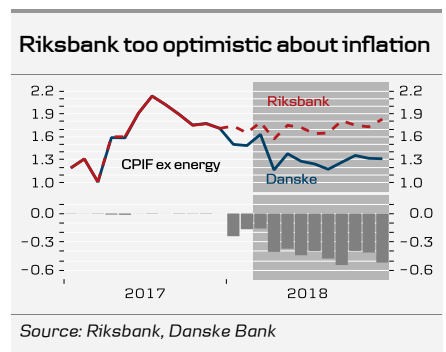
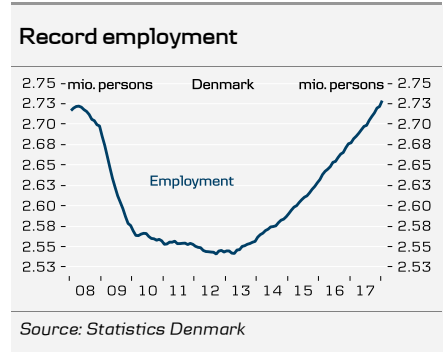
The consumer confidence indicator was unchanged at 8.5 in March, exactly as we forecast. Consumers were more positive about their personal finances compared with a year ago but slightly less optimistic about the outlook for both their personal finances and the economy for the coming year.

## Sweden – boring week

Last week was in principle free of market relevant events with the exception of two Riksbank speeches. Deputy Governor Henry Ohlsson (who dissented at the last meeting, arguing for a rate hike) is still optimistic about inflation, saying he is convinced underlying inflation is at the target. We do not agree, expecting it to fall significantly in coming months. Deputy Governor Martin Flodén on the other hand, seems less certain about the state of inflation; he is still worried about too low inflationary pressure. Anyway, we maintain our view that the Riksbank will signal a postponement of rate hikes at the April meeting, following yet another sub-forecast inflation print.

## Norway – unemployment continues to fall

Growth in Norway seems to be accelerating gradually, as the downturn in oil-related industries has reversed and the slowdown in homebuilding has yet to hit construction activity. Unemployment is therefore continuing to tumble, as measured by both the NAV and LFS. The two jobless measures have diverged widely for some time now. The most important difference seems to be that, for some unknown reason, employment as measured by the LFS was more or less unchanged in the first part of last year. Now, however, the LFS employment measure has also begun to climb and the gap to the more reliable national accounts data has narrowed, thus dispelling any last lingering uncertainty about developments in the labour market. Unemployment is falling first and foremost as a result of rising employment rather than a dwindling supply of labour.



## Latest research from Danske Bank

### *23/3 Flash Comment: Moderate Chinese retaliation - but keeping the powder dry*

The Trump administration yesterday announced plans to impose tariffs on up to USD60bn of imports from China.

### *22/3 Bank of England Review: BoE still on track for a May hike*

The Bank of England maintained monetary policy unchanged but two BoE members (McCafferty and Saunders) voted for an immediate rate hike (vote count 7-2 for an unchanged Bank Rate).

### *21/3 FOMC review: Only slightly steeper rate path due to Trumponomics*

The Fed maintained the three rate hikes signal for this year (close call between three and four) and revised the signal for next year up to three hikes, as expected.

### *21/3 Finland Research: Public finances close to balance*

We have revised our forecast for Finnish GDP slightly higher for 2018 and now expect it to grow by 2.4%.

### *20/3 ECB Research: 10bp, 20bp or...? ECB in uncharted waters*

We continue to expect the ECB to raise the deposit rate by 10bp in Q2 19.



## Macroeconomic forecast

### Macro forecast, Scandinavia

	Year	GDP <sup>1</sup>	Private cons. <sup>1</sup>	Public cons. <sup>1</sup>	Fixed inv. <sup>1</sup>	Stock build. <sup>2</sup>	Ex-ports <sup>1</sup>	Im-ports <sup>1</sup>	Infla-tion <sup>1</sup>	Unem-ploym. <sup>3</sup>	Public budget <sup>4</sup>	Public debt <sup>4</sup>	Current acc. <sup>4</sup>
Denmark	2017	2.1	1.5	1.1	2.5	0.1	4.6	4.1	1.1	4.3	0.0	36.0	8.0
	2018	2.0	2.0	0.7	5.5	-0.2	2.7	3.4	0.9	4.1	-0.3	35.1	7.7
	2019	1.9	2.5	0.5	4.3	0.0	2.6	3.6	1.4	4.0	-0.1	33.9	7.3
Sweden	2017	2.4	2.4	0.4	6.0	0.2	3.7	5.0	1.8	6.7	0.9	39.0	0.8
	2018	1.7	1.6	1.3	1.1	0.0	5.1	5.0	1.5	7.1	0.6	36.0	4.8
	2019	2.0	1.9	0.8	0.4	0.2	4.7	3.8	1.3	7.6	0.4	34.0	5.4
Norway	2017	1.8	2.3	2.0	3.5	-0.2	0.8	2.2	1.8	2.7	-	-	-
	2018	2.3	2.6	1.7	2.7	-0.1	2.7	1.4	1.9	2.4	-	-	-
	2019	2.2	2.3	1.9	2.5	0.0	2.2	3.0	2.0	2.3	-	-	-

### Macro forecast, Euroland

	Year	GDP <sup>1</sup>	Private cons. <sup>1</sup>	Public cons. <sup>1</sup>	Fixed inv. <sup>1</sup>	Stock build. <sup>2</sup>	Ex-ports <sup>1</sup>	Im-ports <sup>1</sup>	Infla-tion <sup>1</sup>	Unem-ploym. <sup>3</sup>	Public budget <sup>4</sup>	Public debt <sup>4</sup>	Current acc. <sup>4</sup>
Euro area	2017	2.5	1.7	1.2	3.1	-	5.3	4.3	1.5	9.1	-1.1	89.3	3.5
	2018	2.1	1.7	1.5	3.8	-	4.6	4.6	1.4	8.4	-0.9	87.2	3.0
	2019	1.9	1.9	1.3	4.2	-	3.4	4.4	1.3	8.0	-0.8	85.2	2.9
Germany	2017	2.5	2.1	1.6	3.9	-	5.3	5.6	1.7	3.8	0.9	64.8	7.8
	2018	2.2	1.8	2.3	3.4	-	5.0	6.0	1.6	3.5	1.0	61.2	7.5
	2019	2.0	2.3	2.2	4.5	-	3.1	4.8	1.5	3.3	1.0	57.9	7.2
Finland	2017	2.7	1.6	1.3	6.3	-	7.8	3.5	0.8	8.6	-1.6	61.4	0.7
	2018	2.3	2.0	0.4	4.5	-	4.0	4.5	1.2	8.0	-1.0	61.0	-0.2
	2019	1.9	1.5	0.2	3.5	-	4.0	3.5	1.4	7.7	-0.8	60.0	0.2

### Macro forecast, Global

	Year	GDP <sup>1</sup>	Private cons. <sup>1</sup>	Public cons. <sup>1</sup>	Fixed inv. <sup>1</sup>	Stock build. <sup>2</sup>	Ex-ports <sup>1</sup>	Im-ports <sup>1</sup>	Infla-tion <sup>1</sup>	Unem-ploym. <sup>3</sup>	Public budget <sup>4</sup>	Public debt <sup>4</sup>	Current acc. <sup>4</sup>
USA	2017	2.3	2.7	0.1	4.0	-0.1	3.4	3.9	2.1	4.4	-3.6	106.0	-2.4
	2018	2.4	2.2	0.0	5.1	0.0	3.6	2.6	2.5	4.0	-3.5	107.0	-3.0
	2019	2.1	1.9	0.4	4.9	0.0	3.1	3.0	2.1	3.8	-4.0	109.0	-3.1
China	2017	6.8	-	-	-	-	-	-	2.0	4.1	-3.7	47.6	1.4
	2018	6.3	-	-	-	-	-	-	2.3	4.3	-3.4	50.8	1.1
	2019	6.0	-	-	-	-	-	-	2.3	4.3	-3.4	53.9	1.2
UK	2017	1.7	1.8	0.6	3.9	-0.4	4.5	3.0	2.7	4.4	-2.4	87.0	-4.6
	2018	1.3	1.3	0.5	1.9	0.1	2.4	2.2	2.2	4.1	-2.0	87.3	-4.7
	2019	1.2	1.0	0.4	2.0	0.0	2.6	1.8	1.8	4.1	-1.8	87.4	-4.6

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	23-Mar	1.50	2.15	2.58	2.85	123.3	-	817.7
	+3m	2.00	2.32	2.60	3.05	123.0	-	837.4
	+6m	2.00	2.40	2.80	3.15	125.0	-	824.0
	+12m	2.25	2.85	3.05	3.35	128.0	-	789.1
EUR	23-Mar	0.00	-0.33	-0.15	1.01	-	123.3	1008.0
	+3m	0.00	-0.33	-0.05	1.20	-	123.0	1030.0
	+6m	0.00	-0.33	0.00	1.25	-	125.0	1030.0
	+12m	0.00	-0.33	0.20	1.60	-	128.0	1010.0
JPY	23-Mar	-0.10	-0.05	0.05	0.26	130.4	105.8	7.73
	+3m	-0.10	-	-	-	131.6	107.0	7.83
	+6m	-0.10	-	-	-	137.5	110.0	7.49
	+12m	-0.10	-	-	-	143.4	112.0	7.05
GBP	23-Mar	0.50	0.60	1.03	1.53	88.2	139.7	1142.5
	+3m	0.75	0.77	1.25	1.75	87.0	141.4	1183.9
	+6m	0.75	0.89	1.45	1.90	86.0	145.3	1197.7
	+12m	1.00	1.14	1.70	2.10	84.0	152.4	1202.4
CHF	23-Mar	-0.75	-0.74	-0.49	0.48	117.0	94.9	861.7
	+3m	-0.75	-	-	-	119.0	96.7	865.5
	+6m	-0.75	-	-	-	121.0	96.8	851.2
	+12m	-0.75	-	-	-	123.0	96.1	821.1
DKK	23-Mar	0.05	-0.30	-0.01	1.19	744.9	604.3	135.3
	+3m	0.05	-0.30	0.10	1.35	744.5	605.3	138.3
	+6m	0.05	-0.30	0.15	1.40	744.5	595.6	138.3
	+12m	0.05	-0.30	0.35	1.75	744.8	581.8	135.6
SEK	23-Mar	-0.50	-0.44	-0.17	1.26	1008.0	817.7	100.0
	+3m	-0.50	-0.45	-0.10	1.45	1030.0	837.4	-
	+6m	-0.50	-0.45	-0.05	1.50	1030.0	824.0	-
	+12m	-0.50	-0.45	0.05	1.60	1010.0	789.1	-
NOK	23-Mar	0.50	1.06	1.50	2.30	949.3	770.1	106.2
	+3m	0.50	0.90	1.55	2.50	940.0	764.2	109.6
	+6m	0.50	0.90	1.75	2.60	920.0	736.0	112.0
	+12m	0.75	1.15	1.95	2.95	910.0	710.9	111.0

Commodities											
	23-Mar	2018				2019				Average	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2018	2019
NYMEX WTI	58	58	58	60	60	60	60	61	61	58	61
ICE Brent	70	62	62	64	64	64	64	65	65	63	65

Source: Danske Bank

# Calendar

## Key Data and Events in Week 13

During the week			Period	Danske Bank	Consensus	Previous
Sat 24	USD	Fed's Rosengren (non-voter, hawk) speaks				
Monday, March 26, 2018			Period	Danske Bank	Consensus	Previous
8:45	FRF	GDP, final	q/q y/y		0.6% 2.5%	0.6% 2.5%
18:30	USD	Fed's Dudley (voter, neutral) speaks				
22:30	USD	Fed's Mester (voter, hawkish) speaks				
Tuesday, March 27, 2018			Period	Danske Bank	Consensus	Previous
-	DEM	Retail sales	m m y/y		0.7% 2.0%	-1.0% 2.3%
6:00	DKK	Danske Bank publishes Nordic Outlook				
8:00	DKK	Business Confidence	Net balance			
9:00	ESP	HICP, preliminary	m m y/y		1.7% 1.6%	0.1% 1.2%
9:00	SEK	Consumer confidence	Index		104.6	104.7
9:00	SEK	Economic Tendency Survey	Index			109.5
9:00	SEK	Manufacturing confidence	Index			114.0
9:15	SEK	NIER economic forecasts				
9:30	SEK	Household lending	y/y			7.0%
9:30	SEK	Trade balance	SEK bn	-1.5		-1.8
9:30	SEK	PPI	m m y/y			0.8% 2.5%
10:00	EUR	Money supply (M3)	y/y		4.6%	4.6%
10:00	EUR	Loans to households (adj. for sales and sec.)	%		4.6%	4.6%
10:00	EUR	Loans to NFCs (adj. for sales and sec.)	%		4.6%	4.6%
11:00	EUR	Service confidence	Net bal.		16.4	17.5
11:00	EUR	Business climate indicator	Net bal.		1.4	1.5
11:00	EUR	Industrial confidence	Net bal.		7.1	8.0
11:00	EUR	Economic confidence	Index		113.2	114.1
11:00	EUR	Consumer confidence, final	Net bal.		0.1	0.1
14:00	HUF	Central Bank of Hungary rate decision	%	0.9%	0.9%	0.9%
16:00	USD	Conference Board consumer confidence	Index		131.0	130.8
Wednesday, March 28, 2018			Period	Danske Bank	Consensus	Previous
8:00	NOK	Retail sales, s.a.	m/m	0.5%	0.4%	-0.4%
8:00	DEM	GfK consumer confidence	Net. Bal.		10.8	10.8
8:00	DKK	CB's securities statistics				
8:00	DKK	Foreign portfolio investments				
8:00	DKK	GDP, final	q/q y/y			1.0% ...
8:45	FRF	Consumer confidence	Index		100.0	100.0
9:30	SEK	Retail sales s.a.	m m y/y	0.4% 1.5%	0.1% 1.5%	0.1% 1.3%
10:00	NOK	Norges Bank's daily FX purchases	m		-800	-800
14:30	USD	GDP, 3rd release	q/q AR		0.027	0.025
14:30	USD	Advance goods trade balance	USD bn		-74.0	-75.3
16:00	USD	Pending home sales	m m y/y		2.0% ...	-4.7% -1.7%
16:30	USD	DOE U.S. crude oil inventories	K			-2622

Source: Danske Bank

## Calendar (continued)

Thursday, March 29, 2018			Period	Danske Bank	Consensus	Previous
-	DKK	Maundy Thursday				
1:01	GBP	GfK consumer confidence	Index		-10.0	-10.0
1:50	JPY	Retail trade	m/m y/y		0.6% 1.7%	-1.6% 1.5%
9:00	CHF	KOF leading indicator	Index		107.2	108.0
9:55	DEM	Unemployment	%		5.3%	5.4%
10:30	GBP	Broad money M4	m/m y/y			1.5% 4.3%
10:30	GBP	GDP, final	q/q y/y	4th quarter	0.4% 1.4%	0.4% 1.4%
10:30	GBP	Index of services	m/m 3m/3m	Jan	0.2% 0.6%	0.0% 0.6%
10:30	GBP	Mortgage approvals	1000	Feb	66.0	67.5
14:00	DEM	HICP, preliminary	m/m y/y	Mar	0.5% 1.6%	0.5% 1.2%
14:30	USD	PCE headline	m/m y/y	Feb	0.2% 1.7%	0.4% 1.7%
14:30	CAD	GDP	m/m y/y	Jan		0.1% 3.3%
14:30	USD	PCE core	m/m y/y	Feb	<b>0.15% 1.5%</b>	0.2% 1.6%
14:30	USD	Personal spending	m/m	Feb	0.2%	0.2%
14:30	USD	Initial jobless claims	1000			
15:45	USD	Chicago PMI	Index	Mar	61.5	61.9
16:00	USD	University of Michigan Confidence, final	Index	Mar	102.0	102.0
19:00	USD	Fed's Harker (non-voter, hawkish) speaks				
Friday, March 30, 2018			Period	Danske Bank	Consensus	Previous
-	DKK	Good Friday				
-	EUR	Moody's may publish Greece's debt rating				
1:30	JPY	Unemployment rate	%	Feb	2.6%	2.4%
1:30	JPY	Job-to-applicant ratio		Feb	1.6	1.59
1:50	JPY	Industrial production, preliminary	m/m y/y	Feb	5.0% 2.3%	-6.8% 2.5%
8:45	FRF	Household consumption	m/m y/y	Feb	2.5% 1.9%	-1.9% -1.9%
8:45	FRF	HICP, preliminary	m/m y/y	Mar	0.9% 1.5%	0.0% 1.3%
11:00	ITL	HICP, preliminary	m/m y/y	Mar	2.2% 0.8%	-0.5% 0.5%

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Source: Danske Bank

# Calendar

## Key Data and Events in Week 14

During the week					Period	Danske Bank	Consensus	Previous
Sat 31	CNY	PMI manufacturing	Index	Mar	<b>50.6</b>		50.3	
Sat 31	CNY	PMI non-manufacturing	Index	Mar			54.4	
Monday, April 2, 2018					Period	Danske Bank	Consensus	Previous
-	DKK	Easter Monday						
1:50	JPY	Tankan large manufacturers index (outlook)	Index	1st quarter		25.0	26.0 21.0	
1:50	JPY	Tankan large non-manufacturers index (outlook)	Index	1st quarter		24.0	25.0 20.0	
2:30	JPY	Nikkei Manufacturing PMI, final	Index	Mar			53.2	
3:45	CNY	Caixin PMI manufacturing	Index	Mar	<b>51.0</b>		51.6	
15:30	CAD	RBC manufacturing PMI	Index	Mar			55.6	
15:45	USD	Markit PMI manufacturing, final	Index	Mar				
16:00	USD	Construction spending	m/m	Feb			0.0%	
16:00	USD	ISM manufacturing	Index	Mar		59.5	60.8	
Tuesday, April 3, 2018					Period	Danske Bank	Consensus	Previous
-	USD	Total vehicle sales	m	Mar			16.96	
6:30	AUD	Reserve Bank of Australia rate decision	%		<b>1.5%</b>	1.5%	1.5%	
8:30	SEK	PMI manufacturing	Index	Mar			59.9	
9:00	NOK	PMI manufacturing	Index	Mar		56.5	57.5	
9:15	ESP	PMI manufacturing	Index	Mar			56.0	
9:45	ITL	PMI manufacturing	Index	Mar			56.8	
9:50	FRF	PMI manufacturing, final	Index	Mar			53.6	
9:55	DEM	PMI manufacturing, final	Index	Mar			58.4	
10:00	EUR	PMI manufacturing, final	Index	Mar				
10:30	GBP	PMI manufacturing	Index	Mar			55.2	
Wednesday, April 4, 2018					Period	Danske Bank	Consensus	Previous
2:30	JPY	Markit PMI services	Index	Mar			51.7	
3:45	CNY	Caixin PMI service	Index	Mar			54.2	
10:30	GBP	PMI construction	Index	Mar			51.4	
11:00	EUR	Unemployment	%	Feb			8.6%	
11:00	EUR	HICP - core inflation, preliminary	y/y	Mar	<b>1.2%</b>		1.0%	
11:00	EUR	HICP inflation, preliminary	y/y	Mar	<b>1.5%</b>		1.2%	
14:15	USD	ADP employment	1000	Mar			235	
15:45	USD	Markit PMI service, final	Index	Mar				
16:00	DKK	Currency reserves	DKK bn	Mar			467	
16:00	USD	ISM non-manufacturing	Index	Mar		59.0	59.5	
16:00	USD	Core capital goods orders	%	Feb				
16:30	USD	DOE U.S. crude oil inventories	K					

Source: Danske Bank

## Calendar (continued)

Thursday, April 5, 2018			Period	Danske Bank	Consensus	Previous
-	CNY	Tomb Sweeping Day				
8:00	DEM	Factory orders	m/m y/y	Feb		-3.9% 8.2%
8:00	DKK	House and apartment prices	m/m y/y	Jan		
8:00	NOK	Credit indicator (C2)	y/y	Feb		6.1%
8:00	DKK	Gross unemployment s.a.	K (%)	Feb		111 (4.1%)
8:30	SEK	PMI services	Index	Mar		59.0
9:15	CHF	CPI	m/m y/y	Mar	0.2% 0.6%	0.4% 0.6%
9:15	ESP	PMI services	Index	Mar		57.3
9:30	SEK	Industrial orders	m/m y/y	Feb		-0.5% 8.3%
9:45	ITL	PMI services	Index	Mar		55.0
9:50	FRF	PMI services, final	Index	Mar		56.8
9:55	DEM	PMI services, final	Index	Mar		54.2
10:00	EUR	PMI composite, final	Index	Mar		
10:00	EUR	PMI services, final	Index	Mar		
10:30	GBP	PMI services	Index	Mar		54.5
11:00	EUR	PPI	m/m y/y	Feb		1.5% 0.4%
11:00	EUR	Retail sales	m/m y/y	Feb		-0.1% 2.3%
11:00	NOK	House prices	m/m y/y	Mar	0.3% ...	
14:30	USD	Trade balance	USD bn	Feb		-56.6
14:30	USD	Initial jobless claims	1000			-56.6
Friday, April 6, 2018			Period	Danske Bank	Consensus	Previous
-	EUR	S&P may publish France's debt rating				
2:00	JPY	Labour cash earnings	y/y	Feb		0.7%
7:00	JPY	Leading economic index, preliminary	Index	Feb		105.6
8:00	DEM	Industrial production	m/m y/y	Feb		-0.1% 5.5%
8:00	DKK	Industrial production	m/m	Feb		2.6%
8:00	DKK	Forced sales (s.a.)	Number	Mar		
8:00	DKK	Bankruptcies (s.a.)	Number	Mar		
8:15	CNY	Tomb Sweeping Day				
9:00	CHF	SNB balance sheet, intervention	CHF bn	Mar		732.8
14:30	CAD	Net change in full time employment	1000	Mar		-39.3
14:30	USD	Unemployment	%	Mar		4.0%
14:30	USD	Average hourly earnings, non-farm	m/m y/y	Mar	0.2% 2.7%	0.3% ...
14:30	USD	Non farm payrolls	1000	Mar		225
21:00	USD	Consumer credit	USD bn	Feb		313
						13.9

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Source: Danske Bank

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