

Weekly Focus Sweden

US-China trade talks are the “name of the game”

Market movers ahead

- Trade talks between China and the US are the ‘name of the game’ next week, with the meeting taking place on 30-31 January.
- In the UK, the House of Commons is due to vote on Prime Minister Theresa May’s Brexit Plan B (and amendments) on Tuesday.
- The government shutdown may affect the US jobs report, while we do not expect the FOMC meeting to bring any new signals.
- In the euro area, we do not expect the Q4 GDP flash report to show any significant rebound from the lacklustre Q3 number.
- The euro area HICP inflation number for January is set to show a further decline to 1.3%, driven by lower energy prices.

Weekly wrap-up

- In the UK this week, Prime Minister May presented her Brexit Plan B on Tuesday, which, as expected, did not really provide any clarification.
- As expected, the ECB made no changes to its policy rate or forward guidance at its meeting this week and we still believe a rate hike in December is likely.
- Euro area PMI revealed further weakness, while the US counterpart painted a stronger picture of the US economy.
- Ahead of the crucial US-China trade talks next week, US Commerce Secretary Wilbur Ross said this week that while the two countries are still ‘miles away’ from a deal, he thinks there is a fair chance they will reach one eventually.

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Financial views

Major indices

	25-Jan	3M	12M
10yr EUR swap	0.73	1.10	1.40
EUR/USD	113	117	125
ICE Brent oil	62	65	80

Source: Danske Bank

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Jobs report likely to be affected by shutdown



Source: BEA, IHS Markit

Chinese Caixin PMI could fall a lot further – NBS less so



Source: Macrobond Financial, Markit, NBS

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Market movers

Global

- In the **US**, parts of the federal government remain shutdown, which means the postponement of official data releases from federal agencies such as BEA and Census Bureau. An extension of the shutdown increases the risk that it will hurt the overall economy if it goes on long enough to shake consumer and business confidence. However, this is not our base case, as the loss in growth is likely to bounce back later assuming we get a deal soon.

Next week, the job reports, due out on Friday, is the most important release. We think average hourly earnings have risen +0.25% m/m in January, which means a fall in the annual growth rate from 3.2% to 3.1% y/y. We expect the unemployment rate to come in higher due to the shutdown, as we believe the household survey from which the unemployment rate is derived is likely to consider the furloughed workers as unemployed. For total payrolls, furloughed workers are counted as employed; however, due to the shutdown there might also be some noise in the total payroll number. We will keep an eye on private payrolls, which are unaffected.

Friday also brings the FOMC meeting. Recently, we have got more dovish signals from the Fed supporting it being on hold for now and likely until the June meeting. From now on Jerome Powell will hold a press conference after each meeting and as the Fed has not updated its projections, we do not expect any new signals.

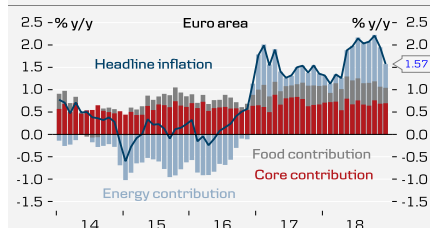
- In the **euro area**, we have numerous interesting data releases ahead of us. On Thursday, we are due to get the Q4 euro area flash GDP growth numbers. In Q3, the euro area economy grew 0.2% q/q, the weakest growth rate since December 2014. Although temporary effects from German car sector bottlenecks explain some of the growth drag, the overall economic environment, with a Chinese slowdown, Brexit and fragile risk sentiment in financial markets, also weighs on growth prospects. In light of the latest months' disappointing industrial production data and falling sentiment indicators, we do not believe the euro area economy picked up speed in the past quarter; hence, we estimate the Q4 growth rate stayed at 0.2% q/q.
- Friday sees January HICP inflation numbers. Headline inflation took a dive in December, falling from 1.9% y/y to 1.6% y/y, driven mainly by falling oil prices, as core inflation remained flat at 1.0% y/y, which is a level it has been fluctuating around for the past year. We expect energy prices to continue the falling trend and therefore forecast that January's headline print will come in at 1.3% y/y, because we do not see scope for a rise in core inflation just yet. Rising wages are putting upward pressure on core inflation but we do not expect this to materialise until Q2 onwards (see also *Euro Area Research – Is the Phillips curve finally coming alive in 2019?*, 18 December 2018). On Wednesday, we expect the German inflation numbers to give us a glimpse of this.
- In the **UK**, the most important event is on Tuesday when the House of Commons votes on Prime Minister Theresa May's Brexit Plan B (and amendments). Many amendments have already been put forward (reflecting the many different views on Brexit among MPs) but it is the Speaker who decides which amendments to discuss and vote on. The vote is only indicative but if one, or more, of the amendments passes, it may force Prime Minister May to change her stance in one way or another. In particular, the amendment from Labour MP Yvette Cooper giving PM Theresa May until 26 February to put forward a new 'meaningful vote' is interesting, as it has a fair chance of passing. The amendment would also force May to ask for an Article 50 extension if the vote fails again.

US – jobs report likely to be affected by shutdown



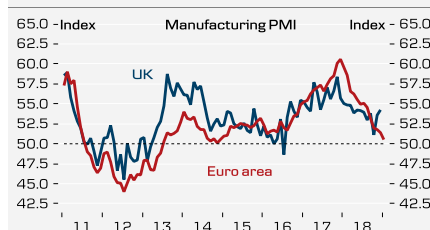
Source: BEA, IHS Markit

Euro area – will energy prices pull headline inflation down further?



Source: Eurostat, Danske Bank, Macrobond Financial

UK PMI manufacturing has outperformed the euro area index due to stockpiling ahead of Brexit



Source: IHS Markit, Macrobond Financial

- In **Japan**, manufacturing PMIs weakened in January on the back of the Chinese slowdown. Exports also disappointed in December and it will be interesting to see whether industrial production confirms the current weakening picture. On Friday, we get both the unemployment rate and the jobs/applicants ratio for December. The labour market has actually loosened recently, with unemployment increasing to 2.5%. That said, the labour market remains historically tight in Japan.
- There are two important events in **China** next week. The first one is the top-level trade negotiations on 30-31 January. China's chief negotiator and Xi Jinping's top economic adviser Liu He will lead a Chinese delegation for talks, with a US delegation led by US Trade Representative Robert Lighthizer. In our view, the meetings will be key for reaching a trade deal. While we believe it is likely talks so far have focused on the 'easy parts' about how much and what China would buy more from the US, the meetings next week will move to the biggest knots surrounding Chinese industrial policy and protection of intellectual property rights. Once the meetings are over, we should have a good sense of how close we are to a deal. We cannot rule out seeing bumps in the road but eventually we expect the US and China to reach a trade deal, as failure to reach one would be likely to lead to big declines in equity markets and be a threat to the US economy in a year when the US Presidential election campaign begins.

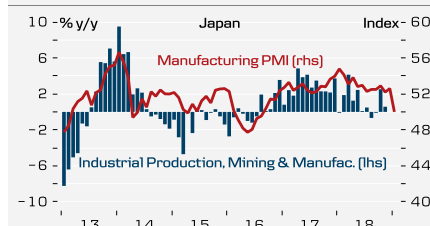
The other important event out of China will be PMIs for January. We expect Caixin PMI manufacturing to fall further, as it has some catching up to do with other indicators that have shown more weakness. The official NBS PMI manufacturing has already fallen a lot, though, but we still see some downside risk in the short term before it reaches the bottom in Q1.

Scandi

- In **Denmark**, we have a busy week ahead, starting with December retail sales on Monday and continuing with the Nationalbank's foreign portfolio investments and securities statistics for December on Tuesday. Wednesday then brings business confidence for January. Sentiment was generally on the wane in H2 18 in every sector bar construction. The manufacturing indicator ended the year with another decline and a fourth successive month in negative territory, so it will be interesting to see whether things start to look up in 2019. After all, the economy has proven pretty resilient to the global slowdown to date. December unemployment numbers round off the week on Thursday. The number of people out of work has fallen as employment has risen but only slowly in the final months of 2018, suggesting there are still more people entering the labour market. The same picture can be seen with the jobless rate (number of unemployed as a percentage of the labour force), which has been stable at 3.9% since June.
- In **Sweden**, data next week amount to 'hard' December household lending and trade balance data on the one hand and 'soft' January surveys NIER confidence and manufacturing PMI. We estimate household lending has continued its gradual slowdown as the housing market has cooled down. It will also be of interest to us to see to what degree households continue to fix mortgage rates as seen over the past two months – at some point this may start affect ASW spreads (but we are probably far from that now).

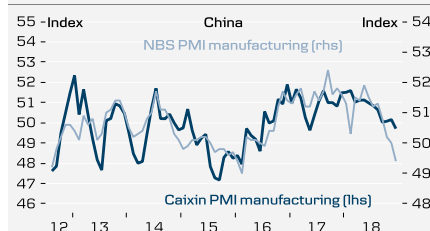
The trade balance is most interesting from the point of view of what happens to exports. As can be seen beside, Swedish 'real' exports are strongly correlated with German industrial production. A weak exports print would be a precursor for a bad print for December manufacturing production in the forthcoming week.

Weakening signals in Japan



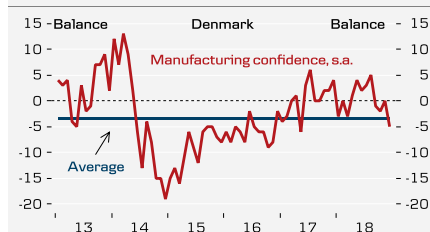
Source: Japanese Ministry of Economy, Trade & Industry, IHS Markit, Macrobond Financial

Chinese Caixin PMI could fall a lot further – NBS less so



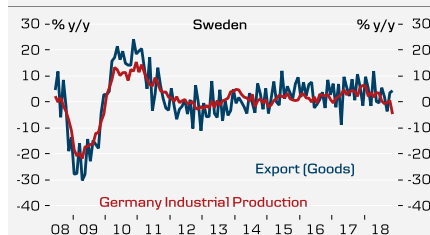
Source: Macrobond Financial, Markit, NBS

Denmark – manufacturing confidence has fallen in recent months



Source: Statistics Denmark, Macrobond Financial

Swedish exporters about to feel the pinch?



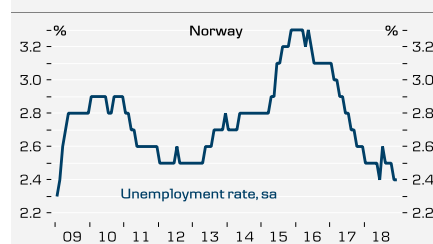
Source: SCB, Macrobond Financial

On this subject, the NIER and PMI surveys give mixed signals about the status for manufacturing. However, we believe the latter to be more accurate as it conforms better to hard data such as industrial production mentioned above. Actually, NIER manufacturing is to a certain degree driven by production expectations, probably giving a false signal. All other sectors have gradually grinded down to or below the long-term 100 average level, suggesting the growth party is over for now, possibly suggesting a 'growth recession'. We recommend keeping an eye on NIER retail trade price expectations (especially the impact of the summer drought on food prices) and PMI employment, which has been on a steady decline for some time now.

The Riksbank's Kerstin af Jochnick and Martin Flodén plan to speak about monetary policy on Monday and Tuesday.

- In **Norway**, changes to NAV's methodology have made its jobless data harder to interpret since last summer but the sharp fall in December clearly suggests that the labour market is continuing to tighten. Growth in the labour supply due to better job opportunities, combined with mounting bottlenecks, means that unemployment is nevertheless unlikely to fall as far this year as it has in the past two years. Therefore, we expect the seasonally adjusted rate to be unchanged at 2.4% in January. We estimate retail sales fell 0.3% m/m in December on the back of a strong November. This is due primarily to problems with the seasonal adjustment to reflect the increase in Black Friday trading but also an expression of weak underlying spending growth towards the end of the year. The monthly PMI has had its thunder stolen somewhat by the confidence data just released by Statistics Norway. There are still clear signs that the oil-driven upswing in Norwegian manufacturing is continuing despite the global slowdown but we expect a moderate decrease in the PMI to 55.0 in January.

Norway - unemployment falling again



Source: Macrobond Financial, Danske Bank

Market movers ahead

Global movers			Event		Period	Danske	Consensus	Previous	
Tue	29-Jan	-	GBP	House of Commons votes on Brexit plan B (including amendments)					
Wed	30-Jan	-	USD	US-China trade talks continue in Washington D.C. (30-31 January)					
		14:00	DEM	HICP, preliminary	m/m y/y	Jan	... 1.8%	-0.9% 1.8%	0.3% 1.7%
		20:00	USD	FOMC meeting	%		2.50%	2.50%	2.50%
Thurs	31-Jan	-	USD	US-China trade talks continue in Washington D.C. (30-31 January)					
		0:50	JPY	Industrial production, preliminary	m/m y/y	Dec		-0.5% -2.3%	-1.0% 1.5%
		2:00	CNY	PMI manufacturing	Index	Jan		49.3	49.4
		11:00	EUR	GDP, preliminary	q/q y/y	4th quarter	0.2% 1.2%	0.2% 1.2%	0.2% 1.6%
Fri	01-Feb	0:30	JPY	Unemployment rate	%	Dec		2.5%	2.5%
		0:30	JPY	Job-to-applicant ratio		Dec		1.63	1.63
		2:45	CNY	Caixin PMI manufacturing	Index	Jan		49.7	49.7
		11:00	EUR	HICP - core inflation, preliminary	y/y	Jan	1.0%	1.0%	1.0%
		11:00	EUR	HICP inflation, preliminary	y/y	Jan	1.3%	1.4%	1.6%
		14:30	USD	Unemployment	%	Jan	4.0%	3.8%	3.9%
		14:30	USD	Average hourly earnings, non-farm	m/m y/y	Jan	0.3% 3.2%	0.3% 3.2%	0.4% 3.2%
Scandi movers									
Wed	30-Jan	8:00	NOK	Retail sales, s.a.	m/m	Dec	-0.3%		0.9%
		9:00	SEK	Economic Tendency Survey	Index	Jan			106.3
		9:30	SEK	Wages (blue collars/white collars)	y/y	Nov			2.7%
Thurs	31-Jan								
Fri	01-Feb	8:30	SEK	PMI manufacturing	Index	Jan			52.0
		9:00	NOK	PMI manufacturing	Index	Jan	55.0		55.9
		10:00	NOK	Unemployment	%	Jan	2.4%		2.4%

Source: Bloomberg, Danske Bank

Weekly Wrap-Up

ECB: 'downside risks to euro area growth'

Main macro themes

- As expected, the ECB made no changes to its policy rate or forward guidance at its meeting this week. It will keep rates at 'present levels at least through the summer of 2019' and continue QE reinvestments past the first rate hike. **The most important change was that the ECB now acknowledges there are downside risks to growth but it does not change our call for a December hike** (see *ECB Review: Downside growth risks but rate hike still on track*, 24 January).
- In the UK **this week, Prime Minister Theresa May presented her Brexit Plan B** on Tuesday, which, as expected, did not really provide any clarification, as it looks pretty much like Plan A. The main problem with Brexit is that there is no majority for anything in the House of Commons besides a small majority that wants to avoid a no-deal Brexit at all cost. **We still believe the two most likely Brexit outcomes are either a 'decent Brexit' (May's deal or something very similar) or a second EU referendum.**
- The preliminary PMIs for January were released yesterday. In the euro area, the manufacturing index was at its lowest level since November 2014 and the service sector fell to its lowest level since August 2013. **Taken together, the euro area PMIs suggest growth of just 0.1% q/q in Q1.** In the US, the indices were solid, with the service indicator more or less unchanged and a small increase in the manufacturing index. While we think US domestic demand will be solid also this year, the manufacturing sector is not immune to what is going on globally.
- Ahead of the crucial US-China trade talks next week, US Commerce Secretary Wilbur Ross said this week that while the two countries are still 'miles away' from a deal, he thinks there is a fair chance they will reach one eventually. **We still assign a 75% probability of a trade deal no later than in Q2.**

Financial market developments

- It has been a quiet week in the financial markets. The US earnings season is in full swing**, as 20% of S&P 500 companies have reported. So far, earnings and revenue growth rates have surprised by 2.3% and 0.5%, respectively. Blended earnings growth is 11.7% as of today. If we exclude financials, the surprise factors are 3.5% and 0.9%, respectively. While revenue looks strong and actually surprising more than in an average earnings season, the opposite is the case for earnings. Overall, this is a slight disappointment but it seems that investors had feared even worse. **We remain positive on equities on the back of our positive macro outlook**, in which we see the slowdown bottoming out in Q2, but volatility has become more normal.
- EUR/GBP has continued to move lower** and is now trading below the 0.87 mark for the first time since November, when markets got a bit too excited about the prospect of a looming deal between the EU and Prime Minister May. While uncertainty related to Brexit remains high, we believe the risk of a no-deal Brexit has faded, as argued above. We believe the past week's rally in GBP is fair, given that the post-Brexit outcome distribution for EUR/GBP looks increasingly skewed on the downside.

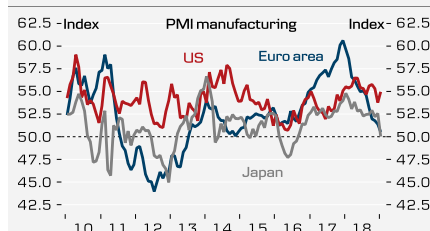
Financial views

Major indices

	25-Jan	3M	12M
10yr EUR swap	0.73	1.10	1.40
10yr US swap	2.77	3.35	3.55
ECB key rate	-0.40	-0.40	-0.20
Fed funds rate	2.50	2.50	3.00
EUR/SEK	1030	1010	1000
EUR/NOK	970	950	930
EUR/USD	113	117	125
ICE Brent oil	62	65	80

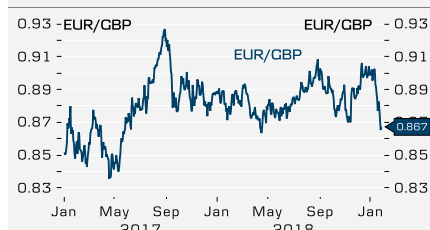
Source: Danske Bank

Manufacturing slowdown is a global phenomenon



Source: IHS Markit, Macrobond Financial

EUR/GBP has moved lower, as the risk of a no deal Brexit has faded



Source: Bloomberg, Macrobond Financial

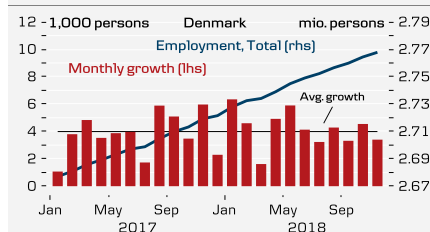
Scandi update

Denmark – employment keeps on climbing

Statistics Denmark's monthly employment data show an increase of 3,200 to a record-high 2,780,000 people in work in November. In our view, this is a healthy rise, albeit slightly below the average in 2018.

The week also brought new figures for consumer confidence, which fell steadily in H2 18 but rebounded slightly in January, with the indicator climbing from 2.9 to 3.9, due mainly to consumers' view of their personal finances. It is odd that consumer confidence has declined at a time when employment and wages have been on the up and the economy has generally been in good shape. In contrast, the brouhaha about Brexit and the trade war between China and the US may have muddled the waters.

Employment still climbing

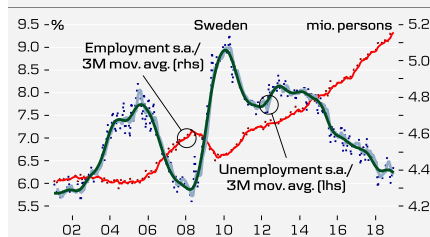


Source: Statistics Denmark, Danske Bank, Macrobond Financial

Sweden – unemployment stabilising, healthy job growth

After a quiet week, December labour market data were released Thursday morning. Seasonally adjusted unemployment came in at 6.4%, up from 6.2% in the previous month. After multiple years of declining unemployment, we have the impression that data are now stabilising close to 6%. In the meantime, employment data remain very well behaved, rising at an annual pace of around 100,000 persons. We view this as impressive at a late stage of the cycle.

Employment continues up



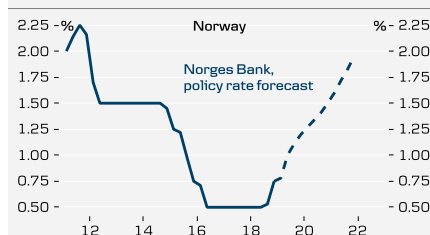
Source: SCB, Macrobond Financial

Norway – Norges Bank signals March rate hike

As expected, Norges Bank left interest rates alone at its meeting during the week but signalled fairly clearly that it intends to raise them at its meeting on 21 March: *'The Executive Board's assessment of the outlook and balance of risks implies a gradual increase in the policy rate. Global growth is a little weaker than projected and there continues to be considerable uncertainty surrounding developments ahead. In Norway, economic growth and labour market developments appear to be broadly as projected, while inflation has been slightly higher than expected. Overall, new information indicates that the outlook for the policy rate for the period ahead is little changed since the December Report.'*

As expected, Norges Bank noted that global growth has slowed and that growth among Norway's trading partners has been slightly weaker than assumed in December. Global interest rate expectations are also slightly weaker than then but still point to a gradual rise in interest rates. However, the bank noted that capacity utilisation in the Norwegian economy is still rising and is likely to keep on doing so. Core inflation is now close to target but the bank's short-term model SAM suggests slightly higher inflation in December. More or less full capacity utilisation and the prospect of above-trend growth despite a global slowdown and above-target (core) inflation point to a continued gradual normalisation of monetary policy. The only thing we can see stopping a hike in March is a sharp correction in global financial markets and/or oil prices.

Interest rate outlook little changed from December



Source: Macrobond Financial, Norges Bank, Danske Bank

Latest research from Danske Bank

25/1 A tour of the global economy (in one chart pack)!

In this macro chart pack, we present the state of the world economy, with charts on the global macro economy, the US, euro area, China, Japan and financial markets more broadly.

24/1 Flash Comment - ECB Review - Downside growth risks but rate hike still on track

Today, ECB didn't take any new decisions at its governing council meeting.

24/1 Market Guide - Risk that Brexit uncertainty drags on beyond 29 March

Jerome Powell has calmed financial markets.

21/1 Macro Strategy Views Podcast: What if we are wrong - risks for 2019

In our weekly podcast Macro Strategy Views, we discuss risks to the global economy and the financial system in 2019.

Macroeconomic forecast

Macro forecast, Scandinavia

	Year	GDP ¹	Private cons. ¹	Public cons. ¹	Fixed inv. ¹	Ex-ports ¹	Im-ports ¹	Infla-tion ¹	Wage growth ¹	Unem-ploym ³	Public budget ⁴	Public debt ⁴	Current acc. ⁴
Denmark	2018	1.0	2.4	0.4	5.9	0.2	3.6	0.8	2.3	4.0	0.3	33.5	5.6
	2019	2.0	1.9	0.4	0.7	2.7	1.3	1.3	2.5	3.9	0.1	33.1	6.0
	2020	1.6	2.3	0.4	3.6	2.0	2.9	1.6	2.8	3.8	-0.1	33.2	5.9
Sweden	2018	2.2	1.2	0.6	4.6	2.3	2.4	2.0	2.6	6.3	0.9	37.0	3.3
	2019	1.4	0.8	0.3	1.7	2.3	1.3	1.9	2.6	6.5	0.5	34.0	4.0
	2020	1.9	1.9	1.8	1.7	3.1	2.5	1.6	2.7	6.9	0.8	33.0	4.0
Norway	2018	2.2	1.9	1.9	0.6	-0.5	1.5	2.7	2.8	2.4	-	-	-
	2019	2.6	2.2	1.7	4.7	3.5	3.0	1.6	3.5	2.3	-	-	-
	2020	2.4	2.3	1.8	2.0	3.0	3.3	1.7	3.8	2.2	-	-	-

Macro forecast, Euroland

	Year	GDP ¹	Private cons. ¹	Public cons. ¹	Fixed inv. ¹	Ex-ports ¹	Im-ports ¹	Infla-tion ¹	Wage growth ¹	Unem-ploym ³	Public budget ⁴	Public debt ⁴	Current acc. ⁴
Euro area	2018	1.8	1.3	1.0	2.9	2.7	2.6	1.7	2.3	8.2	-0.6	86.9	3.8
	2019	1.5	1.6	2.0	2.3	2.5	3.6	1.4	2.2	7.8	-0.8	84.9	3.6
	2020	1.5	1.6	2.4	2.0	2.7	3.5	1.5	2.4	7.5	-0.7	82.8	3.6
Germany	2018	1.5	1.1	0.9	3.2	2.1	3.6	1.8	3.0	3.4	1.6	60.1	7.8
	2019	1.4	1.7	2.2	3.4	2.3	5.1	1.8	3.2	3.1	1.2	56.7	7.3
	2020	1.6	1.9	2.2	3.1	3.1	4.6	1.8	3.0	2.9	1.1	53.7	6.9
Finland	2018	2.3	1.5	2.0	2.5	1.1	2.5	1.1	1.9	7.4	-0.3	59.2	-0.9
	2019	1.7	1.6	0.5	1.5	2.5	2.3	1.5	2.5	7.0	0.0	57.9	-0.4
	2020	1.5	1.3	0.5	2.0	2.0	1.5	1.5	2.5	6.9	0.1	56.5	-0.2

Macro forecast, Global

	Year	GDP ¹	Private cons. ¹	Public cons. ¹	Fixed inv. ¹	Ex-ports ¹	Im-ports ¹	Infla-tion ¹	Wage growth ¹	Unem-ploym ³	Public budget ⁴	Public debt ⁴	Current acc. ⁴
USA	2018	3.0	2.7	1.7	5.2	4.3	4.7	2.4	2.8	3.9	-4.0	106.0	-3.2
	2019	2.7	2.7	1.8	3.6	2.9	3.7	1.8	3.4	3.6	-4.6	107.0	-3.6
	2020	2.0	2.1	1.0	2.9	2.4	2.6	2.4	3.5	3.5	-4.6	108.0	-3.7
China	2018	6.6	8.2	-	5.0	-	-	2.2	8.5	-	-4.1	50.1	0.7
	2019	6.2	8.0	-	4.7	-	-	2.0	8.3	-	-4.5	53.9	0.7
	2020	6.2	7.8	-	4.6	-	-	2.2	8.0	-	-4.3	57.1	0.7
UK	2018	1.3	1.7	0.5	0.2	1.5	0.4	2.5	3.0	4.1	-1.3	85.0	-3.3
	2019	1.6	1.7	0.6	1.3	2.8	1.6	1.6	3.7	3.9	-1.5	84.1	-3.2
	2020	1.5	1.6	0.4	1.9	2.4	2.0	1.5	3.8	3.9	-1.3	83.2	-3.0
Japan	2018	0.9	0.3	0.5	1.8	3.1	2.7	0.9	-	2.8	-	-	-
	2019	0.9	1.0	0.8	1.5	2.0	2.1	1.4	-	2.4	-	-	-
	2020	0.5	0.0	0.8	-0.3	2.8	1.2	2.0	-	2.4	-	-	-

Source: OECD and Danske Bank. 1) % y/y. 2) % contribution to GDP growth. 3) % of labour force. 4) % of GDP.

Macroeconomic forecast

Macro forecast, Scandinavia

	Year	GDP ¹	Private cons. ¹	Public cons. ¹	Fixed inv. ¹	Ex-ports ¹	Im-ports ¹	Infla-tion ¹	Wage growth ¹	Unem-ploym ³	Public budget ⁴	Public debt ⁴	Current acc. ⁴
Denmark	2018	1.0	2.4	0.4	5.9	0.2	3.6	0.8	2.3	4.0	0.3	33.5	5.6
	2019	2.0	1.9	0.4	0.7	2.7	1.3	1.3	2.5	3.9	0.1	33.1	6.0
	2020	1.6	2.3	0.4	3.6	2.0	2.9	1.6	2.8	3.8	-0.1	33.2	5.9
Sweden	2018	2.2	1.2	0.6	4.6	2.3	2.4	2.0	2.6	6.3	0.9	37.0	3.3
	2019	1.4	0.8	0.3	1.7	2.3	1.3	1.9	2.6	6.5	0.5	34.0	4.0
	2020	1.9	1.9	1.8	1.7	3.1	2.5	1.6	2.7	6.9	0.8	33.0	4.0
Norway	2018	2.2	1.9	1.9	0.6	-0.5	1.5	2.7	2.8	2.4	-	-	-
	2019	2.6	2.2	1.7	4.7	3.5	3.0	1.6	3.5	2.3	-	-	-
	2020	2.4	2.3	1.8	2.0	3.0	3.3	1.7	3.8	2.2	-	-	-

Macro forecast, Euroland

	Year	GDP ¹	Private cons. ¹	Public cons. ¹	Fixed inv. ¹	Ex-ports ¹	Im-ports ¹	Infla-tion ¹	Wage growth ¹	Unem-ploym ³	Public budget ⁴	Public debt ⁴	Current acc. ⁴
Euro area	2018	1.8	1.3	1.0	2.9	2.7	2.6	1.7	2.3	8.2	-0.6	86.9	3.8
	2019	1.5	1.6	2.0	2.3	2.5	3.6	1.4	2.2	7.8	-0.8	84.9	3.6
	2020	1.5	1.6	2.4	2.0	2.7	3.5	1.5	2.4	7.5	-0.7	82.8	3.6
Germany	2018	1.5	1.1	0.9	3.2	2.1	3.6	1.8	3.0	3.4	1.6	60.1	7.8
	2019	1.4	1.7	2.2	3.4	2.3	5.1	1.8	3.2	3.1	1.2	56.7	7.3
	2020	1.6	1.9	2.2	3.1	3.1	4.6	1.8	3.0	2.9	1.1	53.7	6.9
Finland	2018	2.3	1.5	2.0	2.5	1.1	2.5	1.1	1.9	7.4	-0.3	59.2	-0.9
	2019	1.7	1.6	0.5	1.5	2.5	2.3	1.5	2.5	7.0	0.0	57.9	-0.4
	2020	1.5	1.3	0.5	2.0	2.0	1.5	1.5	2.5	6.9	0.1	56.5	-0.2

Macro forecast, Global

	Year	GDP ¹	Private cons. ¹	Public cons. ¹	Fixed inv. ¹	Ex-ports ¹	Im-ports ¹	Infla-tion ¹	Wage growth ¹	Unem-ploym ³	Public budget ⁴	Public debt ⁴	Current acc. ⁴
USA	2018	3.0	2.7	1.7	5.2	4.3	4.7	2.4	2.8	3.9	-4.0	106.0	-3.2
	2019	2.7	2.7	1.8	3.6	2.9	3.7	1.8	3.4	3.6	-4.6	107.0	-3.6
	2020	2.0	2.1	1.0	2.9	2.4	2.6	2.4	3.5	3.5	-4.6	108.0	-3.7
China	2018	6.6	8.2	-	5.0	-	-	2.2	8.5	-	-4.1	50.1	0.7
	2019	6.2	8.0	-	4.7	-	-	2.0	8.3	-	-4.5	53.9	0.7
	2020	6.2	7.8	-	4.6	-	-	2.2	8.0	-	-4.3	57.1	0.7
UK	2018	1.3	1.7	0.5	0.2	1.5	0.4	2.5	3.0	4.1	-1.3	85.0	-3.3
	2019	1.6	1.7	0.6	1.3	2.8	1.6	1.6	3.7	3.9	-1.5	84.1	-3.2
	2020	1.5	1.6	0.4	1.9	2.4	2.0	1.5	3.8	3.9	-1.3	83.2	-3.0
Japan	2018	0.9	0.3	0.5	1.8	3.1	2.7	0.9	-	2.8	-	-	-
	2019	0.9	1.0	0.8	1.5	2.0	2.1	1.4	-	2.4	-	-	-
	2020	0.5	0.0	0.8	-0.3	2.8	1.2	2.0	-	2.4	-	-	-

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	25-Jan	2.50	2.77	2.73	2.77	113.3	-	908.8
	+3m	2.50	2.92	2.85	2.85	117.0	-	863.2
	+6m	2.75	2.97	3.15	3.15	120.0	-	833.3
	+12m	3.00	3.23	3.25	3.20	125.0	-	800.0
EUR	25-Jan	-0.40	-0.31	-0.16	0.73	-	113.3	1029.8
	+3m	-0.40	-0.33	-0.05	0.90	-	117.0	1010.0
	+6m	-0.40	-0.33	0.05	1.00	-	120.0	1000.0
	+12m	-0.20	-0.12	0.15	1.20	-	125.0	1000.0
JPY	25-Jan	-0.10	-0.09	-0.02	0.15	124.5	109.9	8.27
	+3m	-0.10	-	-	-	128.7	110.0	7.85
	+6m	-0.10	-	-	-	132.0	110.0	7.58
	+12m	-0.10	-	-	-	140.0	112.0	7.14
GBP	25-Jan	0.75	0.92	1.15	1.47	86.6	130.9	1189.2
	+3m	0.75	0.85	1.30	1.70	84.0	139.3	1202.4
	+6m	0.75	0.82	1.40	2.00	83.0	144.6	1204.8
	+12m	1.00	1.07	1.60	2.20	83.0	150.6	1204.8
CHF	25-Jan	-0.75	-0.70	-0.57	0.26	112.9	99.6	912.3
	+3m	-0.75	-	-	-	114.0	97.4	886.0
	+6m	-0.75	-	-	-	116.0	96.7	862.1
	+12m	-0.75	-	-	-	120.0	96.0	833.3
DKK	25-Jan	-0.65	-0.31	-0.04	0.87	746.6	658.9	137.9
	+3m	-0.65	-0.30	0.05	1.05	746.0	637.6	135.4
	+6m	-0.65	-0.30	0.15	1.15	745.5	621.3	134.1
	+12m	-0.45	-0.03	0.25	1.35	745.5	596.4	134.1
SEK	25-Jan	-0.25	-0.08	0.07	1.05	1029.8	908.8	100.0
	+3m	-0.25	-0.20	0.05	1.25	1010.0	863.2	-
	+6m	-0.25	-0.20	0.00	1.30	1000.0	833.3	-
	+12m	-0.25	-0.20	0.00	1.40	1000.0	800.0	-
NOK	25-Jan	0.75	1.26	1.58	2.10	970.3	856.3	106.1
	+3m	1.00	1.58	1.80	2.35	950.0	812.0	106.3
	+6m	1.00	1.67	1.95	2.55	940.0	783.3	106.4
	+12m	1.25	1.87	2.20	2.80	930.0	744.0	107.5

Commodities

	25-Jan	2018				2019				Average	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2019	2020
ICE Brent	62	67	75	76	69	65	70	75	80	73	80

Source: Danske Bank

Calendar

Key Data and Events in Week 5

During the week

			Period	Danske Bank	Consensus	Previous
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Sun 27	DEM	Retail sales	m/m y/y	Dec	-0.6% 1.5%	1.6% 1.1%
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Monday, January 28, 2019

			Period	Danske Bank	Consensus	Previous
2:30	CNY	Industrial profits	y/y	Dec	-1.8%	-1.8%
8:00	DKK	Retail sales	m/m y/y	Dec		1.2% 3.4%
9:30	SEK	Household lending	y/y	Dec		5.7%
9:30	SEK	Trade balance	SEK bn	Dec		4.9
10:00	EUR	Money supply (M3)	y/y	Dec	3.8%	3.7%
10:00	EUR	Loans to households (adj. for sales and sec.)	%	Dec		
10:00	EUR	Loans to NFCs (adj. for sales and sec.)	%	Dec		
15:00	EUR	ECB's Draghi speaks in Brussels				

Tuesday, January 29, 2019

			Period	Danske Bank	Consensus	Previous
-	GBP	House of Commons votes on Brexit plan B (including amendments)				
8:00	DKK	CB's securities statistics	Dec			
8:00	DKK	Foreign portfolio investments	Dec			
8:45	FRF	Consumer confidence	Index			87.0
14:00	HUF	Central Bank of Hungary rate decision	%	0.90%		0.90%
16:00	USD	Conference Board consumer confidence	Index		125.0	128.1

Wednesday, January 30, 2019

			Period	Danske Bank	Consensus	Previous
-	USD	US-China trade talks continue in Washington D.C. (30-31 January)				
0:50	JPY	Retail trade, preliminary	m/m y/y	Dec	0.4% 0.8%	-1.1% 1.4%
1:30	AUD	CPI	q/q y/y	4th quarter	0.4% 1.7%	0.4% 1.9%
6:00	JPY	Consumer confidence	Index	Jan	42.4	42.7
7:30	FRF	GDP, preliminary	q/q y/y	4th quarter	0.3% 1.0%	0.3% 1.4%
8:00	NOK	Retail sales, s.a.	m/m	Dec	-0.3%	0.9%
8:00	DEM	GfK consumer confidence	Net. Bal.	Feb	10.3	10.4
8:00	DKK	Business Confidence		Nov		
8:45	FRF	Household consumption	m/m y/y	Dec		-0.3% -2.0%
9:00	CHF	KOF leading indicator	Index	Jan	98.0	96.3
9:00	SEK	Consumer confidence	Index	Jan		96.4
9:00	SEK	Economic Tendency Survey	Index	Jan		106.3
9:00	SEK	Manufacturing confidence	Index	Jan		116.2
9:30	SEK	Wages (blue collars/white collars)	y/y	Nov		2.7%
11:00	EUR	Business climate indicator	Net bal.	Jan	0.8	0.8
11:00	EUR	Industrial confidence	Net bal.	Jan	0.5	1.1
11:00	EUR	Economic confidence	Index	Jan	107.0	107.3
11:00	EUR	Consumer confidence, final	Net bal.	Jan	-7.9	-7.9
11:00	EUR	Service confidence	Net bal.	Jan	11.1	12.0
14:00	DEM	HICP, preliminary	m/m y/y	Jan	.. 1.8%	-0.9% 1.8%
14:15	USD	ADP employment	1000	Jan	170	271
16:30	USD	DOE U.S. crude oil inventories	K			7970
20:00	USD	FOMC meeting	%	2.50%	2.50%	2.50%
20:30	USD	FOMC press conference				

Source: Danske Bank

Calendar (continued)

Thursday, January 31, 2019				Period	Danske Bank	Consensus	Previous
-	USD	US-China trade talks continue in Washington D.C. (30-31 January)					
0:50	JPY	Industrial production, preliminary	m/m y/y	Dec		-0.5% -2.3%	-1.0% 1.5%
1:01	GBP	GfK consumer confidence	Index	Jan	-12.0	-15.0	-14.0
2:00	CNY	PMI manufacturing	Index	Jan		49.3	49.4
2:00	CNY	PMI non-manufacturing	Index	Jan		53.9	53.8
8:00	NOK	Credit indicator (C2)	y/y	Dec			5.5%
8:00	DKK	Gross unemployment s.a.	K (%)	Dec			105.5 (3.9)
8:45	FRF	HICP, preliminary	m/m y/y	Jan			0.1% 1.9%
9:00	EUR	ECB's Coeure speaks in Cape Town					
9:00	ESP	HICP, preliminary	m/m y/y	Jan		-1.6% 1.1%	-0.5% 1.2%
9:00	ESP	GDP, preliminary	q/q y/y	4th quarter		0.6% 2.4%	0.6% 2.4%
9:55	DEM	Unemployment	%	Jan		5.0%	5.0%
10:00	NOK	Norges Bank's daily FX purchases	m	Feb			-350
11:00	ITL	GDP, preliminary	q/q y/y	4th quarter		-0.1% 0.3%	-0.1% 0.7%
11:00	EUR	Unemployment	%	Dec		7.9%	7.9%
11:00	EUR	GDP, preliminary	q/q y/y	4th quarter	0.2% 1.2%	0.2% 1.2%	0.2% 1.6%
11:15	EUR	ECB's Mersch speaks in Luxembourg					
14:30	USD	Initial jobless claims	1000				199
14:30	CAD	GDP	m/m y/y	Nov			0.3% 2.2%
14:30	USD	Employment cost index	m/m	4th quarter		0.8%	0.8%
15:45	USD	Chicago PMI	Index	Jan		60.0	65.4
Friday, February 1, 2019				Period	Danske Bank	Consensus	Previous
-	USD	Total vehicle sales	m	Jan		17.15	17.5
0:30	JPY	Unemployment rate	%	Dec		2.5%	2.5%
0:30	JPY	Job-to-applicant ratio		Dec		1.63	1.63
1:30	JPY	Nikkei Manufacturing PMI, final	Index	Jan			50.0
2:45	CNY	Caixin PMI manufacturing	Index	Jan		49.7	49.7
8:30	SEK	PMI manufacturing	Index	Jan			52.0
9:00	NOK	PMI manufacturing	Index	Jan	55.0		55.9
9:15	ESP	PMI manufacturing	Index	Jan		51.0	51.1
9:45	ITL	PMI manufacturing	Index	Jan		49.2	49.2
9:50	FRF	PMI manufacturing, final	Index	Jan			51.2
9:55	DEM	PMI manufacturing, final	Index	Jan			49.9
10:00	EUR	PMI manufacturing, final	Index	Jan			
10:00	NOK	Unemployment	%	Jan	2.4%		2.4%
10:30	GBP	PMI manufacturing	Index	Jan	52.5	53.5	54.2
11:00	EUR	HICP - core inflation, preliminary	y/y	Jan	1.0%	1.0%	1.0%
11:00	EUR	HICP inflation, preliminary	y/y	Jan	1.3%	1.4%	1.6%
14:30	USD	Unemployment	%	Jan	4.0%	3.8%	3.9%
14:30	USD	Average hourly earnings, non-farm	m/m y/y	Jan	0.3% 3.2%	0.3% 3.2%	0.4% 3.2%
14:30	USD	Non farm payrolls	1000	Jan	150	163	312
15:30	CAD	RBC manufacturing PMI	Index	Jan			53.6
15:45	USD	Markit PMI manufacturing, final	Index	Jan			54.9
16:00	USD	ISM manufacturing	Index	Jan		54.3	54.1
16:00	USD	University of Michigan Confidence, final	Index	Jan			90.7

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Source: Danske Bank

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Report completed: 25 January 2019, 14:35 CEST

Report first disseminated: 25 January 2019, 14:45 CEST