25 May 2018

Weekly Focus Sweden

Politics still setting the tone

Market Movers ahead

- In the **US**, the jobs report for May is in focus, with average hourly earnings as the most interesting part.
- In the **euro area**, we look for a rebound in HICP inflation in May, while Italian political developments will also be in the spotlight.
- In **Japan**, labour market data for April is on the agenda, which will be important for the outlook for wages and private consumption.
- In the **Scandies**, we will get more insight into the Q1 growth figures.

Global macro and market themes

- The new Italian government implies market uncertainty for now, but we do not see the debt issue leading to a new euro crisis.
- USD strength could stick around near term as the US still holds a favourable cyclical position, but should abate further out.
- Emerging markets are set to remain wobbly near term, although we do not see a contagious situation. However, the dust has not settled in Turkey yet.

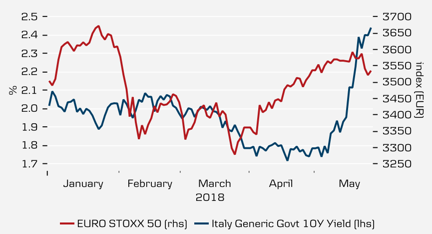
Focus

Italian election monitor: Rising market pressure set to challenge spending plans.

US-China trade talks: 'Grand bargain' moving closer.

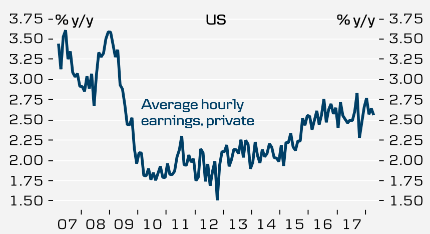
Flash Comment - Turkey: external pressures, emergency hike and the outlook for the TRY.

Risk sentiment continues to sour in Europe (Italy)



Source: Bloomberg, Macrobond, Danske Bank.

US wage growth remains subdued



Source: BLS, Macrobond Financial

Contents

Financial views

Major indices	25-May	3M	12M
10yr EUR swap	0.96	1.15	1.50
EUR/USD	117	119	128
ICE Brent oil	78	72	72

Source: Danske Bank

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Market movers

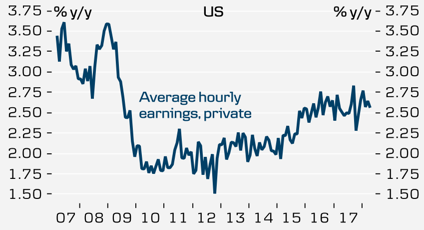
Global

- In the **US**, we have a busy week ahead of us. The most important release is the jobs report for May on Friday. Once again, the most interesting part is the average hourly earnings. We estimate wages rose +0.2% m/m in May in line with the recent trend, implying an unchanged annual growth rate of 2.6% y/y. Even if wage growth surprises on the upside, one should not expect the Fed to accelerate its hiking cycle, as it has said it tolerates inflation overshooting the 2% target temporarily and the upper limit seems to be three additional hikes this year (our base case is two with risk skewed towards a third additional hike). We think nonfarm payrolls rose 190,000 and the unemployment rate was unchanged at 3.9%.

  Also on Friday, ISM manufacturing for May is due out. Based on the regional PMIs and Markit PMI manufacturing, it probably rose and we think it may have rebounded from 57.3 to 58.0. This does not change our overall view that the US manufacturing indices should move lower in 3-6M.

  On Wednesday, PCE core in April is due out. Based on CPI, PCE core rose +0.1% m/m in April, which would lower the inflation rate to 1.8% y/y from 1.9%. We still believe there are upside risks to US inflation, as the total policy mix has become easier.

US wage growth remains subdued

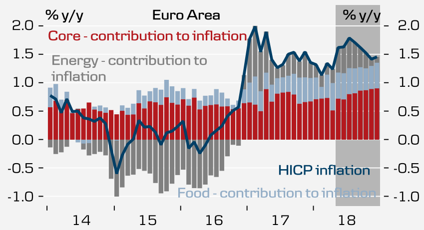


Source: BLS, Macrobond Financial

- In the **euro area**, the HICP figures for May are due for release on Thursday. After increasing to 1.3% y/y in March, headline inflation declined to 1.2% y/y in April. We expect a large increase to 1.6% in May, driven largely by energy price inflation. We expect headline inflation to remain at this level temporarily, before falling back down to around 1.4-1.5% at the end of the year. Thus, the ECB should not yet conclude that we are seeing a sustained convergence of headline inflation towards 2% as the expected increase should be temporary. Core inflation declined to 0.7% y/y in April as a consequence of the timing of Easter, and we expect a bounce back to 1.0% y/y in May. Overall, we expect core inflation to remain subdued throughout 2018, and remain around the 1.0-1.1% level. Note that German inflation is due for release on Wednesday afternoon, in advance of the euro area figure.

  Meanwhile, Italian politics continues to be a market theme. After President Mattarella affirmed law Professor Giuseppe Conte as Prime Minister and tasked him with forming a government, the search for cabinet ministers continues, and the choice of finance minister will be of particular market interest. A eurosceptic choice could further weigh on market sentiment. Once approved by the President, the new government will have to face confidence votes in parliament which should not prove a big hurdle, and could start its work in June (see also *Italian election monitor: Rising market pressure set to challenge spending plans, 24 May 2018*).

HICP to be lifted temporarily

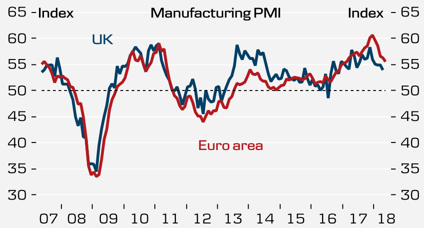


Source: Eurostat, Macrobond Financial, Danske Bank

- In the **UK** next week, we have a quiet week but on Friday the PMI manufacturing index for May is due out. The UK index is more volatile (bigger swings) than the equivalent index for the euro area and since it fell in May, the UK index may very well follow. We expect the fall to be smaller and think the UK index will fall to 53.6 from 53.9. It is also interesting that the UK index is below the euro index despite the weak GBP, supporting our view that global demand is more important for the UK manufacturing sector than the strength of GBP.

  Otherwise, Brexit remains in focus. Prime Minister Theresa May wants to extend the transition on customs and trade to 2023 (and not just to the end of 2020) in order to buy

UK PMI manufacturing is heading south

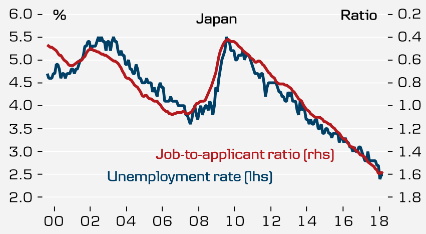


Source: IHS Markit, Macrobond Financial some time to find a more permanent solution. A White Paper on the government's position is due out in June. Also, the House of Commons is going to discuss the House of Lord's amendments to the EU withdrawal bill, which is also going to be a war between the soft and hard Brexiteers.

- In **Japan**, we have some data releases on the labour market on Tuesday, as we get the unemployment rate and jobs/applicants ratio for April. The labour market has turned increasingly tight in recent years with currently 159 jobs for every 100 applicants. We have begun to see early signs of this is pushing up wages and it will be interesting to see if pressures continue to increase. On Wednesday, we will see if this spills over to consumption as April retail sales tick in.
- In **China** it is time for PMI data. We look for a small decline in both the official PMI manufacturing as well as the Caixin PMI manufacturing. This is based on weaker momentum in industrial metal prices, which tend to be a good short-term indicator for Chinese activity as China consumes 50% of global metals. Chinese tightening measures are expected to lead to a soft landing this year.

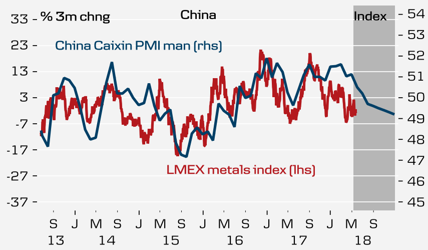
  Trade talks with the US will also continue to be in focus. US Commerce Secretary Wilbur Ross is going to China to continue the negotiations.

Historically tight labour market



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

China PMI to edge lower



Source: Markit, Macrobond Financial, Danske Bank

Scandi

- **Denmark** has a busy week ahead on the data front. The full GDP figures for Q1 18 are due on Thursday. The GDP indicator, which Statistics Denmark released last week, showed modest growth of 0.3%. Statistics Denmark reports that growth has been pulled higher by increasing production among construction, manufacturing and utility companies. This suggests both private consumption and exports have disappointed. Thursday will also bring April unemployment figures along with foreign portfolio investments and securities statistics for the same month. Wednesday will see the release of the Danish business confidence indicator. Confidence in the manufacturing sector rose in April, taking it into positive territory once again, so it will be interesting to see if the upbeat mood continues into May. The Danish Economic Council is set to release its spring report on the Danish economy on Tuesday. The coming report will focus, in particular, on fiscal policy sustainability plus education and student grants. We also expect the government's net financing requirement and the Economic Survey to be released in the course of next week.

- There is a lot of data coming on board in **Sweden** next week. Q1 GDP is of course centre stage. One monthly GDP indicator suggests 3.2 % y/y in calendar adjusted terms which is actually what is in our official forecast (it seems as if it was partially helped by cold weather increasing energy consumption). However, that said, we expect GDP growth to fall significantly in the coming quarters for several reasons: 1) residential investments will decline throughout 2018 on the back of a standstill in newly produced tenant-owned flat sales, 2) household spending growth is gradually slowing as housing wealth declines and 3) declining eurozone PMIs – as the most important Swedish exports markets – suggest Swedish industry at least might be in for a soft patch (if it is not something worse).

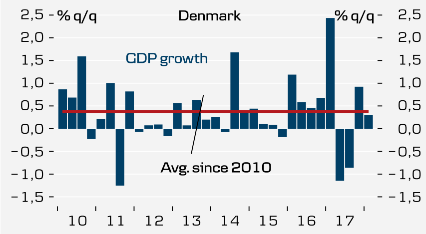
  But there is also some hard data for April, such as trade balance and retail sales, which will give clues to how Q2 GDP growth is starting off.

  SCB figures on April household lending will be scrutinised for any signs of a slowdown. It may be too early to look for that as there are still many residential projects being completed and these need financing.

  NIER's May confidence survey should show some retracement after the surprise improvement in manufacturing and construction confidence last month. At least the former should correct down as manufacturing PMI (which is leading) has dropped and as eurozone PMIs are lower. Recently, there has been a pronounced decline not only in consumer confidence but to some extent also in retail trade and private service sectors. Coincident with that there has been a slight upward trend in retail and services price expectations, probably a result of the weaker SEK.

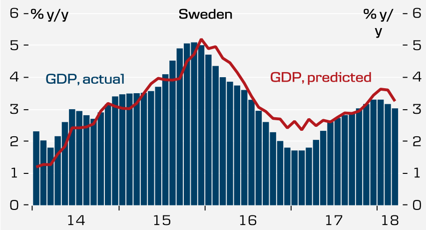
- The week ahead will be both eventful and important in **Norway**. After a period of slightly weaker than expected economic data printouts, uncertainty on the economy going forward has increased, while the markets have also become slightly less certain that Norges Bank will actually go ahead with its projected rate hikes after the summer. While GDP figures indicated that overall growth was largely as expected in Q1 18, it was mostly due to stronger net exports, a factor that can fluctuate considerably. Nevertheless, we expect the Norwegian economy will continue to grow substantially above trend going forward. Construction may well slow somewhat, but this will be more than compensated for by higher activity levels in oil-related businesses. Higher real wage growth and still strong employment growth should keep consumption growth

GDP indicator shows modest growth in Q1 18



Source: Statistics Denmark

GDP growth has peaked



Source: SCB, Danske Bank calculations

Decline in unemployment slows

Source: Macrobond Financial, Danske Bank buoyant, while strong growth in corporate borrowing figures indicates that investment will increase further.

This is also supported by investment intentions for the oil, manufacturing and energy industries that will likely be confirmed by new figures on Monday. We also expect a solid upswing in retail sales after Easter and the weather pulled the March figures lower. In fact, we are expecting growth here of 1.5% m/m, with growth in goods consumption potentially being even higher on the back of increased car sales. In contrast, we expect PMI to decline slightly from 56.5 to 55.5 in May, though this would continue to indicate growth well above trend in both the manufacturing sector and in the economy in general.

We also expect unemployment to fall further, albeit at a rather slower pace than during the spring. Total gross unemployment was falling by 1,500-2,000 every month towards the end of 2017, but this has slowed to 200-500 per month this year. While this could indicate that growth is starting to slow, registered unemployment figures and the increase in the number of job vacancies do not support this view. On the other hand, it could indicate that signals from the Labour Force Survey (AKU) about the supply of labour increasing could be correct. We expect 'NAV' unemployment fell to 2.2% in May, mainly for seasonal reasons, and that gross unemployment declined by 400 m/m. This would be in line with the projections in Norges Bank's Monetary Policy Report from March.

Market movers ahead

Global movers				Event		Period	Danske	Consensus	Previous
Tue	29-May	1:30	JPY	Unemployment rate	%	Apr		*2.5%*	2.5%
		1:30	JPY	Job-to-applicant ratio		Apr		*1.59*	1.59
Wed	30-May	1:50	JPY	Retail trade, preliminary	m/m|y/y	Apr		*1.0%|1.2%*	-0.6%|1.0%
		14:00	DEM	HICP, preliminary	m/m|y/y	May			-0.1%|1.4%
		14:30	USD	PCE core	q/q AR	1st quarter			0.025
Thurs	31-May	3:00	CNY	PMI manufacturing	Index	May	**51.1**	*51.4*	51.4
		11:00	EUR	HICP - core inflation, preliminary	y/y	May	**1.0%**		0.7%
		11:00	EUR	HICP inflation, preliminary	y/y	May	**1.6%**		1.2%
Fri	01-Jun	3:45	CNY	Caixin PMI manufacturing	Index	May	**50.8**	*51.2*	51.1
		10:30	GBP	PMI manufacturing	Index	May	**53.6**		53.9
		14:30	USD	Average hourly earnings, non-farm	m/m|y/y	May	**0.2%|2.6%**	*0.3%|...*	0.1%|2.6%
		14:30	USD	Non farm payrolls	1000	May	**190**	*195*	164
		16:00	USD	ISM manufacturing	Index	May	**58.0**	*58.0*	57.3
Scandi movers									
Mon	28-May	9:30	SEK	Retail sales s.a.	m/m|y/y	Apr	**-0.5%|2.0%**		1.2%|2.9%
Tue	29-May	9:00	SEK	Economic Tendency Survey	Index	May	**108.0**		110.4
Wed	30-May	8:00	NOK	Wage index manufacturing	q/q	1st quarter			0.1%
		8:00	NOK	Retail sales, s.a.	m/m	Apr	**1.5%**		1.1%
		9:30	SEK	GDP	q/q|y/y	1st quarter	**0.2%|3.2%**		0.9%|3.3%
		9:30	SEK	Wages (blue collars/white collars)	y/y	Mar			2.4%
Thurs	31-May	8:00	DKK	Gross unemployment s.a.	K (%)	Apr			0.041
		8:00	DKK	GDP, preliminary	q/q|y/y	1st quarter			0.9%|...
		10:00	NOK	Norges Bank's daily FX purchases	m	Jun			-800
Fri	01-Jun	8:30	SEK	PMI manufacturing	Index	May			54.5
		9:00	NOK	PMI manufacturing	Index	May	**55.5**		56.2
		10:00	NOK	Unemployment	%	May	**2.2%**		2.4%

Source: Bloomberg, Danske Bank

Global Macro and Market Themes

Risk off? Yes - but both Italy and EM issue to be contained

In a week where risk sentiment soured markedly on the prospect of a debt-willing coalition government in Italy, and a continued stream of negative data surprises out of notably the eurozone, the unabated rise in US 10Y yields seemingly came to an at least temporary halt. While the latter may spur some provisional relief for emerging markets, the euro area is set to face near-term headwinds still from the Italian issue hitting at an unpleasant time of cyclical weakness. Indeed, even as US yields may be taking a breather, there may be more USD strength in store short term. Indeed, our quantitative cyclical lead models continue to hint that the US holds a relatively favourable cyclical position, see *MacroScope – More weakness coming.* Hence, risk sentiment could suffer for some time still despite more signs of trade-war relief this week, see *US-China trade talks: 'Grand bargain' moving closer.*

Italy unlikely to spur new euro debt crisis

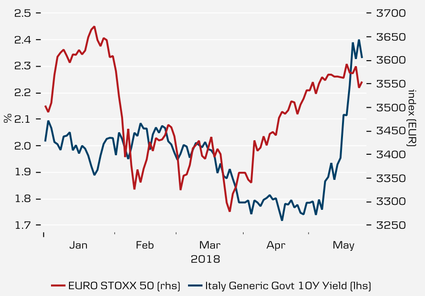
Following complacency in the immediate aftermath of the election, markets have over the past week been hit hard by renewed Italian debt worries as the two anti-establishment parties Five-Star Movement and Northern League are set to form a government with technocrat Giuseppe Conte as prime minister. The appointment of a new finance minister will be key to the market direction from here, but it is clear from the draft programme laid out by the parties that the new government plans a fiscal expansion of 6-7% of GDP, see *Italian election monitor: Rising market pressure set to challenge spending plans* for details.

Crucially, we do not see recent developments as the start of a new euro debt crisis. First, we think it will be difficult for the coalition government to fully implement this though as i.) budgetary measures require approval in both chambers of parliament and this may prove difficult to achieve, not least due to possible defections in the face of rising market pressure on Italian yields, and ii.) president Mattarella will likely play an active role in ensuring fiscal and political sustainability and accordance with international treaties of any new bills. Second, Italy is somewhat different now than just a few years back: i.) both foreigners and Italian banks have reduced their exposure to Italian government debt markedly, ii.) rating-wise Italian bonds remain comfortably above 'junk' status with all rating agencies and thus still easily qualify as collateral in ECB auctions. **That said, until more clarity regarding actual policy implementation is obtained, an Italy risk premium will likely continue to depress sentiment in the eurozone and weigh on the single currency.**

Key points

- Risk sentiment has soured markedly as Italian debt worries and USD strength have weighed
- The new Italian government implies market uncertainty for now but we do not see the debt issue leading to a new euro crisis
- US yields show first signs of settling down a bit – and indeed we think the uptick could take a breather in the near future
- USD strength could stick around near term as the US holds a favourable cyclical position still but should abate further out
- Emerging markets to remain wobbly near term but we do not see a contagious situation – however, the dust has not settled in Turkey yet

Risk sentiment continues to sour in Europe (Italy)



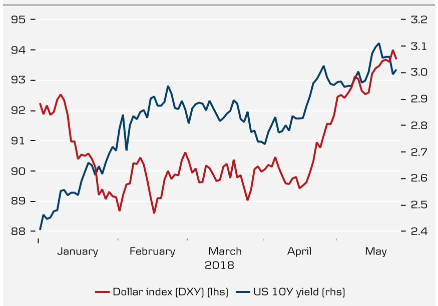
Source: Bloomberg, Macrobond Finanical, Danske Bank.

Rise in US yields not unstoppable

A key question lately has been that of whether US yields have embarked on an unstoppable uptrend – and, given the recoupling of USD with it recently, whether dollar strength is here to stay. The rise in notably US 10Y seen since the autumn to now stand around 3% has in our view been driven by both an uptick in inflation expectations, and a repricing of the term premium due to the sheer increase in rate volatility. **We stress however that US yields have come a long way now, not least in light of the decline in the so-called 'natural' (equilibrium) rate of interest in past decades.** Thus, we see the repricing of the term premium taking a breather now, and envisage that it will take a while before we see a more sustained break of the psychologically important 3% level.

The big question is then whether the Fed's apparent preference to allow an inflation overshoot – confirmed this week by minutes from the latest FOMC meeting - will foster another uptick in inflation expectations; in our view, this is a prerequisite for more upside in e.g. 10Y yields. It might eventually but near-term potential is limited in our view as the US is also entering a soft patch activity-wise. **Thus, we still look for continued curve flattening in the US and thus limited upside to rates beyond the 5Y segment.** Notably in relative terms, we expect EU and US 10Y yields to grind slowly higher together, making little room for continued spread widening and thus little EUR/USD downside potential from this angle.

US yields and the greenback on the rise - but momentum may be fading

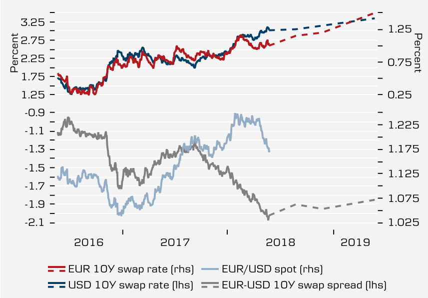


Source: Bloomberg, Macrobond, Danske Bank.

Emerging markets: it ain't over 'till US strength abates

Emerging markets (EM) and their currencies in particular have been hit significantly by the decline in risk sentiment, higher US yields and a stronger USD - and for oil-importing countries like Turkey and India, the recent uptick in oil prices is adding to external pressures. Following a 25% rise in USD/TRY since early March, the central bank delivered a 300bp emergency rate hike this week. This has however failed to stem TRY selling pressure as markets speculate that the willingness to tighten the overheating economy remains limited within Erdogan's government ahead of the June election. **More emergency hikes are likely with the lira under continued pressure,** see Flash Comment - Turkey: external pressures, emergency hike and the outlook for the TRY.

Yields set to grind higher in tandem – EU-US rate spread little changed in 12M

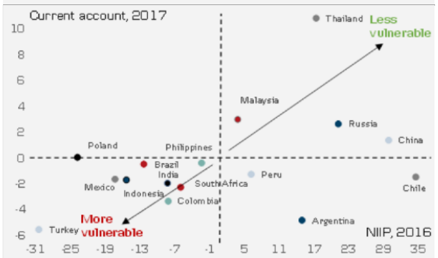


Source: Bloomberg, Macrobond, Danske Bank.

Note: dotted lines are Danske Bank forecasts

Of course, recent developments spur the more wide-raging question of whether this is the start of a contagious crisis in the EM sphere. In light of the amount of outstanding foreign debt and current-account deficits, apart from Turkey, notably Mexico, India and Brazil look vulnerable. **That said, given the loss of momentum we see in US yields and USD appreciation ahead as argued above, the EM currencies should look into some relief shortly.** Further with risks still on the upside in notably oil prices, oil exporters should enjoy some support nonetheless, but Turkey will likely be challenged still.

Axis of vulnerability in the EM sphere



Source: IMF, Macrobond, Danske Bank.

Financial views

Asset class	Main factors
Equities	
Positive on 3-12 month horizon.	Near double-digit earnings growth in most major regions. Low rates drive demand for risk assets.
Bond market	
German/Scandi yields – in range for now, higher in 12M	ECB set to normalise only gradually due to a lack of wage pressure and a stronger euro. ECB on hold for a long time.
EUR 2Y10Y steeper, USD 2Y10Y flatter	The ECB keeps a tight leash on the short end of the curve but 10Y higher as US has an impact.
US-euro spread – short-end to widen further	The spread in the short-end is set to widen further as the Fed continues to hike.
Peripheral spreads – tightening	Economic recovery, ECB stimuli, better fundamentals, an improved political picture and rating upgrades to lead to further tightening despite the recent strong moves. Italy is a growing risk after the new government has been formed.
FX & commodities	
EUR/USD – USD strength is temporary	USD strength near term but supported longer term by valuation and capital-flow reversal due to ECB 'normalisation'.
EUR/GBP – gradually lower over the medium term	Brexit uncertainty dominates but GBP should strengthen on 6-12M on Brexit clarification and Bank of England rate hikes.
USD/JPY – lower short term	US yields decisive near term; downside risks reduced on postioning correct. Longer term higher on Fed-Bank of Japan divergence.
EUR/SEK – risk on the topside	Negative on the SEK due to lower growth, subdued inflation and too aggressive Riksbank pricing; eventually EUR/SEK lower but not in H1 18.
EUR/NOK – to move lower but near-term topside risk	Positive on NOK on valuation, relative growth, positoning, terms of trade, the global outlook and Norges Bank initiating a hiking cycle.
Oil price – upside risks near term	Rising prices on supply concerns, falling inventories and geopolitical risks (Iran). Upside risks remain key for the near term.

Source: Danske Bank.

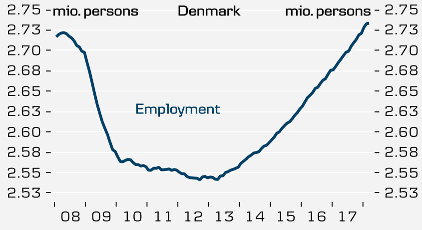
Scandi Update

Denmark – employment growth almost stops in March

Employment figures for March released in the past week showed 600 new jobs created compared to the previous month – a rather weak increase. Employment grew by just 100 in the private sector. That being said, employment was up 13,700 for Q1 as a whole, so it would be premature to conclude that employment growth has ground to a halt. This is more likely to be just a temporary bump in the road.

We also received data for consumer confidence in May, which rose to 9.3 – above our forecast of 8.0. The increase was due to positive developments across a broad range of the indicator's subcomponents, with consumers' opinion of their own finances taking a pronounced leap higher to return to the levels of last summer. Consumer confidence is thus at a high for the year and significantly above the levels of recent years.

Employment just slightly up in March



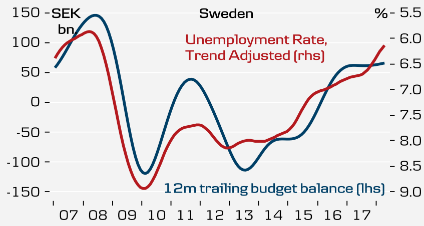
Source: Statistics Denmark

Sweden – Riksbank softer about housing markets?

The Swedish labour market is still improving, with activity and employment rates at record highs in April. That said, the question is of course how long this can continue, as we are now seeing signs of a significant decline in residential construction, a moderation in consumer spending growth and a weakening global business cycle as evidenced by declining eurozone PMIs. The trend decline in the unemployment rate might start to level off soon, as this is a late cycle indicator. In turn, that would imply that government finances will start eroding. In addition, it might aggravate the situation in the housing markets. We are not there yet, but these are subjects worth keeping in mind.

The Riksbank's Financial Stability Report showed it appears to have become more concerned about house price developments, saying a bigger price correction cannot be excluded and that this might have serious consequences for macroeconomic and financial stability. Despite this, it expects prices to stabilise and to start increasing again quite soon. As always, it stressed the need for household mortgage debt to slow. Hence, overall it appears to have changed its stance on housing market developments slightly.

Budget balance moves with unemployment

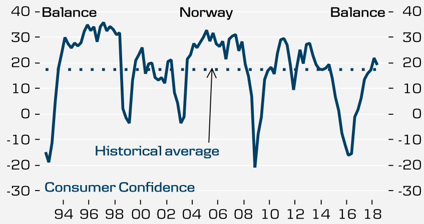


Source: SNDO, SCB

Norway – consumers less optimistic

Norwegian consumer confidence fell in Q2 for the first time in more than two years. True, the decline was modest and confidence remains above the historical average. Nevertheless, weaker retail sales figures recently and the prospect of interest rate hikes after the summer mean growing uncertainty is only to be expected when optimism appears to dip. This is particularly true given that the decline in optimism was concentrated in the youngest survey group, 15-29 year olds, who are among the most indebted. We agree there is some risk the economy may struggle with much higher interest rates, certainly in the short term, as the level of debt among Norwegian households is very high and nearly everyone has adjustable rate mortgage loans. However, our calculations show that the rate hikes announced by Norges Bank in its March monetary policy report, approximately two rate hikes per year, could be readily absorbed by higher household wage growth. Even two rate hikes a year would mean household disposable income growing by just over 2% a year for the next three-four years. That should be sufficient to keep Norwegian economic growth above trend for the entire period.

Consumer confidence falls



Source: Macrobond Financial, Danske Bank

Latest research from Danske Bank

ECB Research - In the mind of Draghi

Being ECB President Mario Draghi these days may not be as easy as in previous years. The monetary policy blueprint has been laid out years ahead ever since the crisis started and we are now approaching a focal time when markets firmly expect the end of APP.

Italian election monitor - Rising market pressure set to challenge spending plans

It will be difficult for the Five Star-League coalition government to fully implement its policy proposals, especially under rising market pressure and the moderating influence of the President.

Flash Comment - Turkey: external pressures, emergency hike and the outlook for the TRY

This note summarises our impressions from a recent fact finding trip to Turkey as well as reflections after the emergency hike by the central bank yesterday.

US-China trade talks: 'Grand bargain' moving closer

The recent developments in the US-China trade talks support our base case that the two parts will eventually make a grand bargain.

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	2017	2.2	1.5	1.2	3.7	0.1	4.4	4.1	1.1	4.2	1.0	36.4	7.7
	2018	1.8	1.9	1.0	5.8	0.3	1.2	4.2	0.6	4.0	-0.2	35.7	7.5
	2019	1.9	2.6	0.5	4.2	-0.2	2.9	3.6	1.3	3.8	-0.1	34.5	7.5
Sweden	2017	2.7	2.4	0.4	6.0	0.1	3.7	5.0	1.8	6.7	1.2	41.0	4.1
	2018	1.7	1.6	1.3	-1.1	0.2	5.6	4.8	1.6	7.1	1.0	37.0	3.5
	2019	2.0	1.8	0.8	0.4	0.2	4.7	3.8	1.3	7.6	0.8	35.0	3.9
Norway	2017	1.9	2.5	2.2	4.9	-1.6	1.1	2.8	1.8	2.7	-	-	-
	2018	2.5	2.5	1.8	3.0	-0.2	2.0	2.0	2.0	2.3	-	-	-
	2019	2.3	2.3	1.8	2.0	0.0	2.0	2.0	1.9	2.2	-	-	-

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]
Euro area	2017	2.5	1.7	**1.2**	**3.2**	-	5.4	4.5	1.5	9.1	-0.9	86.7	3.5
	2018	2.1	1.7	**1.4**	**4.0**	-	4.9	5.0	1.5	8.4	-0.7	86.0	3.4
	2019	1.9	1.9	**1.3**	**4.2**	-	3.4	4.4	1.4	8.0	-0.6	85.5	3.4
Germany	2017	2.5	2.1	1.6	3.9	-	5.3	5.6	1.7	3.7	1.3	64.1	8.0
	2018	2.2	1.8	2.3	3.4	-	5.0	6.0	1.5	3.4	1.2	60.2	7.9
	2019	2.0	2.3	2.2	4.5	-	3.1	4.8	1.7	3.3	1.0	56.3	7.6
Finland	2017	2.6	1.6	1.3	6.3	-	7.8	3.5	0.7	8.6	-0.6	61.4	0.7
	2018	2.4	2.1	0.5	3.5	-	4.5	4.5	1.0	8.0	-0.2	59.6	0.6
	2019	2.0	1.6	0.5	3.5	-	4.5	4.0	1.4	7.7	-0.2	58.0	0.8

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	2017	2.3	2.8	0.1	4.0	-0.1	3.4	4.0	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	-4.1	109.0	-3.0
	2019	2.1	1.9	0.4	4.9	0.0	3.1	3.0	2.1	3.8	-5.2	113.0	-3.1
China	2017	6.9	-	-	-	-	-	-	2.0	4.1	-3.7	47.6	1.4
	2018	6.5	-	-	-	-	-	-	2.3	4.3	-3.4	50.8	1.1
	2019	6.3	-	-	-	-	-	-	2.3	4.3	-3.4	53.9	1.2
UK	2017	1.8	1.7	0.1	4.0	-0.4	5.7	3.2	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	2.3	4.1	-2.0	87.3	-4.7
	2019	1.2	1.0	0.4	2.0	0.0	2.6	1.8	1.6	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 vsSEK
USD	25-May	1.75	2.33	2.74	3.00	117.0	-	870.7
	+3m	2.00	2.37	2.80	3.05	119.0	-	865.5
	+6m	2.00	2.51	3.00	3.15	123.0	-	853.7
	+12m	2.50	2.94	3.30	3.35	128.0	-	796.9
EUR	25-May	0.00	-0.32	-0.15	0.96	-	117.0	1018.8
	+3m	0.00	-0.33	-0.15	1.15	-	119.0	1030.0
	+6m	0.00	-0.33	-0.10	1.20	-	123.0	1050.0
	+12m	0.00	-0.33	0.10	1.50	-	128.0	1020.0
JPY	25-May	-0.10	-0.03	0.05	0.27	128.0	109.4	7.96
	+3m	-0.10	-	-	-	130.9	110.0	7.87
	+6m	-0.10	-	-	-	137.8	112.0	7.62
	+12m	-0.10	-	-	-	143.4	112.0	7.11
GBP	25-May	0.50	0.62	0.99	1.57	87.7	133.5	1162.3
	+3m	0.50	0.79	1.25	1.75	86.5	137.6	1190.8
	+6m	0.75	1.05	1.45	1.90	84.0	146.4	1250.0
	+12m	1.00	1.30	1.70	2.10	83.0	154.2	1228.9
CHF	25-May	-0.75	-0.73	-0.52	0.47	116.1	99.2	877.7
	+3m	-0.75	-	-	-	119.0	100.0	865.5
	+6m	-0.75	-	-	-	121.0	98.4	867.8
	+12m	-0.75	-	-	-	123.0	96.1	829.3
DKK	25-May	0.05	-0.29	-0.01	1.13	744.9	636.6	136.8
	+3m	0.05	-0.30	0.00	1.30	744.5	625.6	138.3
	+6m	0.05	-0.30	0.05	1.35	744.5	605.3	141.0
	+12m	0.05	-0.30	0.25	1.65	744.3	581.4	137.1
SEK	25-May	-0.50	-0.40	-0.16	1.20	1018.8	870.7	100.0
	+3m	-0.50	-0.45	-0.15	1.25	1030.0	865.5	-
	+6m	-0.50	-0.45	-0.15	1.30	1050.0	853.7	-
	+12m	-0.50	-0.45	-0.05	1.50	1020.0	796.9	-
NOK	25-May	0.50	1.03	1.40	2.20	947.0	809.3	107.6
	+3m	0.50	1.15	1.55	2.45	940.0	789.9	109.6
	+6m	0.75	1.30	1.65	2.55	930.0	756.1	112.9
	+12m	1.00	1.50	2.05	2.90	920.0	718.8	110.9

Commodities

		2018				2019				Average	
	25-May	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2018	2019
NYMEX WTI	70	63	66	68	68	69	69	70	70	66	70
ICE Brent	78	67	70	72	72	72	72	74	74	70	73

Source: Danske Bank

Calendar

Key Data and Events in Week 22

During the week				Period	Danske Bank	Consensus	Previous
Sun 27	DEM	Retail sales	m/m|y/y	Apr			-0.3%|1.3%
Sun 27	CNY	Industrial profits	y/y	Apr			3.1%
	DKK	Publication of government net financing requirement and Economic Survey					
Monday, May 28, 2018				**Period**	**Danske Bank**	**Consensus**	**Previous**
-	GBP	Spring Bank Holiday					
-	USD	Memorial Day					
9:30	SEK	Retail sales s.a.	m/m|y/y	Apr	-0.5%|2.0%		1.2%|2.9%
9:30	SEK	Service production	y/y	Apr			
9:30	SEK	Trade balance	SEK bn	Apr	2.0		2.6
Tuesday, May 29, 2018				**Period**	**Danske Bank**	**Consensus**	**Previous**
1:30	JPY	Unemployment rate	%	Apr		2.5%	2.5%
1:30	JPY	Job-to-applicant ratio		Apr		1.59	1.59
6:40	USD	Fed's Bullard (non-voter, dovish) speaks					
8:45	FRF	Consumer confidence	Index	May			101.0
9:00	SEK	Consumer confidence	Index	May	99.0		100.3
9:00	SEK	Economic Tendency Survey	Index	May	108.0		110.4
9:00	SEK	Manufacturing confidence	Index	May	115.0		120.3
9:30	SEK	Household lending	y/y	Apr	6.8%		6.9%
10:00	EUR	Money supply (M3)	y/y	Apr			3.7%
10:00	EUR	Loans to households (adj. for sales and sec.)	%	Apr			
10:00	EUR	Loans to NFCs (adj. for sales and sec.)	%	Apr			
11:30	EUR	ECB's Mersch speaks in Frankfurt					
11:30	EUR	EU summit in Frankfurt					
12:00	DKK	Danish economic councils publishes spring report on Danish economy					
16:00	USD	Conference Board consumer confidence	Index	May		128.0	128.7
17:30	EUR	ECB's Lautenschlaeger speaks in Frankfurt					
18:00	EUR	ECB's Coeure speaks in Paris					
Wednesday, May 30, 2018				**Period**	**Danske Bank**	**Consensus**	**Previous**
1:50	JPY	Retail trade, preliminary	m/m|y/y	Apr		1.0%|1.2%	-0.6%|1.0%
2:00	JPY	BoJ Kuroda speaks					
7:00	JPY	Consumer confidence	Index	May			43.6
8:00	NOK	Wage index manufacturing	q/q	1st quarter			0.1%
8:00	NOK	Retail sales, s.a.	m/m	Apr	1.5%		1.1%
8:00	DKK	Business Confidence	Net balance	May			
8:45	FRF	Household consumption	m/m|y/y	Apr			0.1%|2.3%
8:45	FRF	GDP, preliminary	q/q|y/y	1st quarter			0.3%|2.1%
9:00	CHF	KOF leading indicator	Index	May			105.3
9:00	ESP	HICP, preliminary	m/m|y/y	May			0.8%|1.1%
9:30	SEK	GDP	q/q|y/y	1st quarter	0.2%|3.2%		0.9%|3.3%
9:30	SEK	Wages (blue collars/white collars)	y/y	Mar			2.4%
9:55	DEM	Unemployment	%	May			5.3%
11:00	EUR	Business climate indicator	Net bal.	May			1.4
11:00	EUR	Industrial confidence	Net bal.	May			7.1
11:00	EUR	Economic confidence	Index	May			112.7
11:00	EUR	Consumer confidence, final	Net bal.	May			0.2
11:00	EUR	Service confidence	Net bal.	May			14.9
12:00	EUR	Portugal, GDP, final	q/q|y/y	1st quarter			0.4%|2.1%
14:00	DEM	HICP, preliminary	m/m|y/y	May			-0.1%|1.4%
14:15	USD	ADP employment	1000	May		195	204
14:30	USD	Advance goods trade balance	USD bn	Apr		-71.0	-68.3
14:30	USD	GDP, 2nd release	q/q AR	1st quarter		0.023	0.023
14:30	USD	PCE core	q/q AR	1st quarter			0.025
16:00	CAD	Bank of Canada rate decision	%		1.25%	1.25%	1.25%

Source: Danske Bank

Calendar (continued)

Thursday, May 31, 2018				Period	Danske Bank	Consensus	Previous
1:01	GBP	GfK consumer confidence	Index	May	**-8.0**		-9.0
1:50	JPY	Industrial production, preliminary	m/m|y/y	Apr		*1.4%|3.6%*	1.4%|2.4%
3:00	CNY	PMI manufacturing	Index	May	**51.1**	*51.4*	51.4
3:00	CNY	PMI non-manufacturing	Index	May		*54.8*	54.8
7:45	CHF	GDP	q/q|y/y	1st quarter			0.6%|1.9%
8:00	DKK	CB's securities statistics		Apr			
8:00	DKK	Foriegn portfolio investments		Apr			
8:00	NOK	Credit indicator (C2)	y/y	Apr			6.3%
8:00	DKK	Gross unemployment s.a.	K (%)	Apr			0.041
8:00	DKK	GDP, preliminary	q/q|y/y	1st quarter			0.9%|...
8:45	FRF	HICP, preliminary	m/m|y/y	May			0.2%|1.8%
9:00	ESP	GDP, final	q/q|y/y	1st quarter			0.7%|2.9%
10:00	NOK	Norges Bank's daily FX purchases	m	Jun			-800
10:30	GBP	Mortgage approvals	1000	Apr			62.9
10:30	GBP	Broad money M4	m/m|y/y	Apr			-1.4%|2.2%
11:00	ITL	HICP, preliminary	m/m|y/y	May			0.5%|0.6%
11:00	EUR	Unemployment	%	Apr			8.5%
11:00	EUR	HICP - core inflation, preliminary	y/y	May	**1.0%**		0.7%
11:00	EUR	HICP inflation, preliminary	y/y	May	**1.6%**		1.2%
12:00	USD	Fed's Bullard (non-voter, dovish) speaks					
14:30	USD	Personal spending	m/m	Apr		*0.4%*	0.4%
14:30	USD	Initial jobless claims	1000				
14:30	USD	PCE headline	m/m|y/y	Apr		*0.2%|...*	0.0%|2.0%
14:30	CAD	GDP	m/m|y/y	Mar			0.4%|3.0%
14:30	USD	PCE core	m/m|y/y	Apr	**0.1%|1.8%**	*0.1%|...*	0.2%|1.9%
15:45	USD	Chicago PMI	Index	May		*58.1*	57.6
16:00	USD	Pending home sales	m/m|y/y	Apr		*1.0%|...*	0.4%|-4.4%
17:00	USD	DOE U.S. crude oil inventories	K				5778
19:00	USD	Fed's Brainard (non-voter, dovish) speaks					

Friday, June 1, 2018				Period	Danske Bank	Consensus	Previous
-	EUR	S&P may publish Ireland's debt rating					
-	EUR	Fitch may publish Belgium's debt rating					
-	EUR	Fitch may publish Portugal's debt rating					
2:30	JPY	Nikkei Manufacturing PMI, final	Index	May			52.5
3:45	CNY	Caixin PMI manufacturing	Index	May	**50.8**	*51.2*	51.1
8:30	SEK	PMI manufacturing	Index	May			54.5
9:00	NOK	PMI manufacturing	Index	May	**55.5**		56.2
9:15	ESP	PMI manufacturing	Index	May			54.4
9:45	ITL	PMI manufacturing	Index	May			53.5
9:50	FRF	PMI manufacturing, final	Index	May			55.1
9:55	DEM	PMI manufacturing, final	Index	May			56.8
10:00	NOK	Unemployment	%	May	**2.2%**		2.4%
10:00	ITL	GDP, final	q/q|y/y	1st quarter			0.3%|1.4%
10:00	EUR	PMI manufacturing, final	Index	May			55.5
10:30	GBP	PMI manufacturing	Index	May	**53.6**		53.9
14:30	USD	Unemployment	%	May	**3.9%**	*3.9%*	3.9%
14:30	USD	Average hourly earnings, non-farm	m/m|y/y	May	**0.2%|2.6%**	*0.3%|...*	0.1%|2.6%
14:30	USD	Non farm payrolls	1000	May	**190**	*195*	164
15:30	CAD	RBC manufacturing PMI	Index	May			55.5
15:45	USD	Markit PMI manufacturing, final	Index	May			56.6
16:00	USD	Construction spending	m/m	Apr		*0.8%*	-1.7%
16:00	USD	ISM manufacturing	Index	May	**58.0**	*58.0*	57.3

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Source: Danske Bank

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