Danske Bank
Markets

2 December 2016

Weekly Focus Sweden

ECB and EU politics back in the spotlight

Market movers ahead

- Focus is on the Italian referendum held on Sunday. A 'No' seems most likely to us but we would not expect this to result in 'Italexit' or a major sell-off in Italian government bonds.
- The ECB meeting will also attract attention after end-of-easing speculation has increased. We expect a QE extension, which we believe is likely to be perceived as dovish.
- In the US, we have a few important data releases, which should still suggest growth has continued above trend in Q4, still driven mainly by private consumption.
- A few FOMC members are due to speak ahead of the black-out period.
- In the UK, the Supreme Court hearing on the government's appeal against the High Court ruling that Parliament must vote on triggering Article 50 will begin on Monday.
- In Scandi markets, the main release is the Norges Bank regional network report.

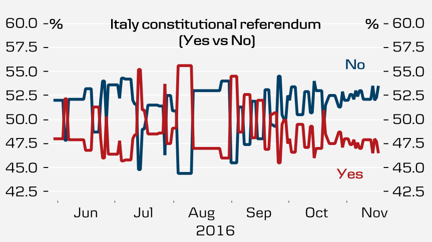
Global macro and market themes

- The global recovery is gathering pace and is likely to continue in 2017.
- Long-term yields are set to increase further with reflation, primarily in the US.
- Despite a fragile OPEC deal, oil prices are likely to rise further in 2017.
- Position for a stronger USD near term but a rebound in EUR/USD later in 2017.
- The stronger global economic outlook is still positive for equities.

Focus

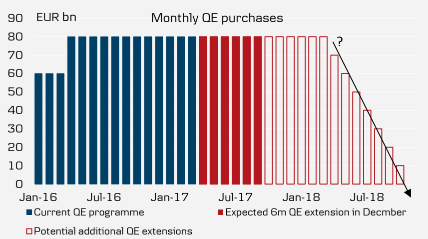
- Outlook for 2017: *The Big Picture: Recovery, reflation and political uncertainties* and *Five macro themes for 2017*.

It looks like a 'No' in Italian referendum



Source: Macrobond Financial, Danske Bank Markets

ECB set to extend QE in December



Source: ECB, Danske Bank Markets

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Financial views

Major indices	02-Dec	3M	12M
10yr EUR swap	0.74	0.75	1.35
EUR/USD	107	104	112
ICE Brent oil	54	47	54
	02-Dec	6M	12-24M
S&P500	2191	5-10%	10-15%

Source: Danske Bank

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Market movers

Global

- In the **US** next week, there are a few important data releases. On Monday, we are due to get the ISM non-manufacturing index for November. The Markit PMI services index was more or less unchanged in November at a solid level of 54.7 suggesting growth has continued at above trend pace in Q4. Lately, we have put more weight on the PMIs, as they have been much less volatile than the ISMs. We think the ISM non-manufacturing index is at a fairly reasonable level, so we expect only a marginal increase from 54.8 to 55.0.

  On Friday, we are due to see the preliminary consumer confidence index for December from the University of Michigan. Consumer confidence rose significantly in November, both when looking at the Michigan index (+6.6 index points) and the Conference Board (reached 107.1, new post-crisis high). We do not think the Donald Trump victory will hurt consumer confidence and expect consumer confidence to stay in the 90-100 range in coming months. In November, we believe the Michigan index rose further to 95. The high consumer confidence supports our view that private consumption will continue to be a main growth driver (see also our updated economic outlook for the US in our *The Big Picture: Recovery, reflation and political uncertainties*, 30 November).

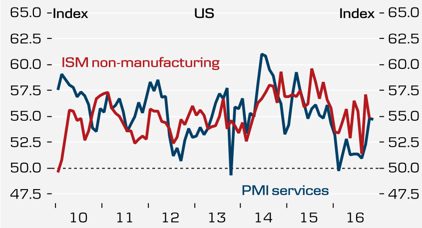
  A few FOMC members are scheduled to speak in the coming week. The most interesting are William C. Dudley and Charles L. Evans, as they are both dovish FOMC members with voting rights in 2017. Remember that the FOMC is turning more dovish due to the shift in voting rights next year. After Monday, no members are scheduled to speak as we enter the black-out period up to the FOMC meeting on 13-14 December.

- In the **euro area**, attention will be on the Italian referendum held on Sunday. The outcome of the referendum should become clear early on Monday morning but the following political path is very likely to remain uncertain. Overall, we expect the Italians to vote 'no' and Prime Minister Matteo Renzi steps down but without it resulting in 'Italexit' or a major sell-off in Italian government bonds. A technocratic government is likely in order to postpone a snap election, as there is broad political support in favour of changing the new electoral law into being less beneficial for a single party such as the anti-establishment Five Star Movement. Changing the electoral law implies Italy is likely to get a coalition government, limiting the power of Five Star Movement (see more in *Research Italy: No 'Italexit' in the case of a 'No' in the referendum*, 22 November). Note also that the Austrian presidential election rerun is on Sunday.

  Focus will also be on the long-awaited ECB meeting, which is scheduled to be held on Thursday. We expect the ECB to announce a six-month extension of its QE programme and maintain monthly purchases at EUR80bn. This is because inflation is still not on a sustained path towards 2% despite the latest increase, which is due to energy price inflation (core inflation has remained constant since August). The market focus on end of easing is, in our view, premature and we do not expect the ECB to announce tapering already. Instead, focus is likely to be on potential changes to QE buying restrictions (see more in *ECB Preview: End-of-easing is premature*, 30 November).

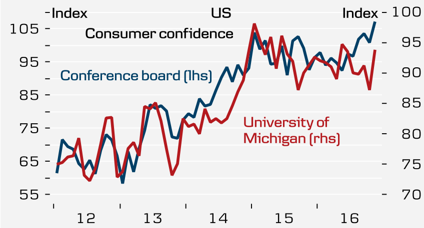
  With regard to economic indicators, the Sentix investor confidence index is released on Monday. The figure has continued to surprise on the upside in recent months and is supported by strong PMIs and other survey indicators, which signal stronger economic activity. However, the upcoming Italian referendum may have had a dampening effect on investor confidence. We expect another, though moderate, increase in the Sentix.

ISM to stay more or less unchanged in November in line with Markit PMI index



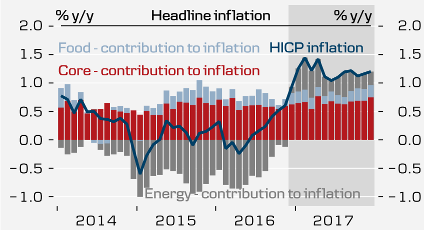
Source: ISM, Markit Economics

We do not expect the Trump victory to lower consumer confidence



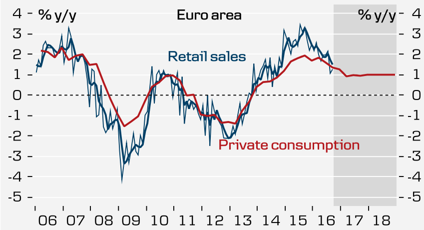
Source: Conference Board, University of Michigan

ECB set to stay accommodative as the increase in inflation is due to energy



Source: Eurostat, Danske Bank Markets

Retail sales set to weaken with consumption



Source: European Commission, Eurostat, Danske Bank Markets

Retail sales for the euro area for October are also released on Monday. We have seen two consecutive months with a 0.2% m/m decline and we expect the figure for October to show a moderate bounce back led by the German figures, which showed a large monthly increase of 2.4%. However, as we outlined in *Weekly Focus: Political uncertainty to prevail – next stop Italy*, 25 November, we forecast lower private consumption growth in 2017 as real wage is weakening.

On Tuesday, the third estimate of euro area GDP is released. In this release, we gain information on how each GDP component has developed and we expect domestic demand to have served as the main growth driver in Q3 (see *The Big Picture: Recovery, reflation and political uncertainties*, 30 November).

Finally, October German factory orders are released on Tuesday and German Industrial production on Wednesday. Both figures saw a monthly decline in September and we expect the October figures to bounce back as the manufacturing sector has indicated strength through strong PMIs. Overall, we expect investments to contribute relatively more to economic activity in 2017-18 after private consumption has been the key driver.

- In the **UK**, the most important data release is the PMI service index for November due on Monday. The index has rebounded since the EU vote, suggesting a quite resilient economy but the fall in the service confidence indicator (as well as in consumer confidence) is a bit worrisome and may be a signal that growth is beginning to slow a bit due to a combination of Brexit uncertainties and the weaker GBP. We estimate the PMI services index fell to 53.2 in November from 54.5 in October.

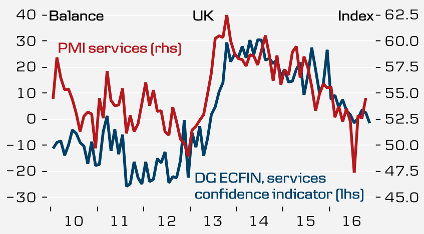
  Otherwise, look out for the manufacturing production and construction output data for October due on Wednesday and Friday, respectively. Also, the NIESR GDP estimate for November on Wednesday is interesting, as it is a quite reliable indicator of actual GDP growth.

  On Friday, Fitch publishes its sovereign rating of the UK. Just after the EU vote, Fitch downgraded the UK to AA with a negative outlook. As the economy has been quite resilient and financial markets are calm, we do not expect Fitch to downgrade the UK again.

  Note that the Supreme Court hearing on the government's appeal against the High Court ruling that the parliament must vote on triggering Article 50 (which starts the Brexit negotiations) will begin on Monday and is likely to last all week. The Supreme Court's ruling is likely in January.

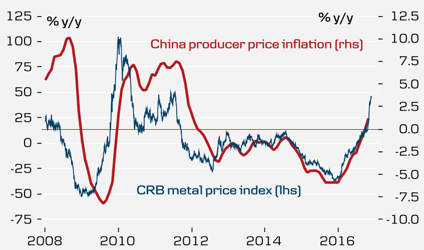
- The main release in **China** over the coming week will be inflation data. Inflation has moved higher and, in particular, producer price inflation has seen a boost from the rise in commodity prices. We look for a further rise in PPI inflation to around 2%, which would add further to the global reflation theme, which we believe will be with us for the next couple of quarters. CPI inflation is also moving higher but at an expected rate of 2.2% in November it is still far below the 3.0% target. China will also release trade data but they are very distorted and we do not put much weight on them. They are also very volatile and thus very hard to predict. Overall, we believe Chinese exports are picking up slightly as the currency has weakened and global growth has picked up. This picture is supported by rising PMI export orders indices.

Downside risks to PMI services due to lower services confidence



Source: Markit Economics, DG ECFIN

Rise in commodity prices push up Chinese PPI inflation



Source: Macrobond Financial

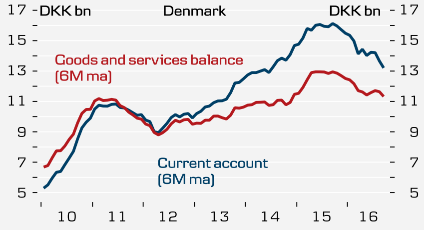
Scandi

- In **Denmark**, the statistical office publishes foreign trade and current account figures for October on Friday. The big surpluses on the current account have been in decline since the end of last year, due largely to the slide in freight rates pulling down earnings in the shipping sector, but Denmark is still producing solid trade surpluses. On Wednesday, the Nationalbank publishes its Q4 Monetary Review with its latest forecast for the Danish economy. Industrial production data for October are released the same day. September saw a steep fall in industrial production, due mainly to technicalities, so we expect a correction in October.

- In **Sweden**, the week ahead is about industrial data (Wednesday, at 09:30 CET) and nothing much else. Given positive survey data and the optimistic forward-looking content in the GDP release we expect another strong reading. This said, the significant 6.8% m/m rise in production in October might point to a more subdued reading this time around. Therefore, we intend to concentrate on developments in year-on-year terms.

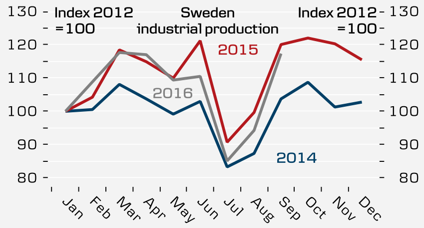
- In **Norway**, the most important release of the week is Norges Bank's regional network survey. As well as being a very stable indicator of growth in the Norwegian economy, it is also forward looking with information on the outlook for the next six months. Since the aggregated output index bottomed in November 2015, it has risen steadily to a two-year high of 0.75 in August. There have been improvements in most of the sector indices and it was mainly the construction and export sectors that contributed to the upturn in August. We believe that the key drivers behind growth in the Norwegian economy – government demand and homebuilding – will keep the fires burning well into next year, which would probably lend further support to the construction sector. We also expect the retail, export and service sectors to signal further solid growth but we are worried that the outlook for oil-related industries, which painted a slightly less negative picture in August, may have taken another turn for the worse. The oil investment survey suggests that 2017 will be weaker than we previously thought and both Statistics Norway's business tendency survey and the PMI have recently shown signs of weakness. They seem to be being pulled down by a decline in firms' order books, which suggests inflows of new orders, although increasing, are not strong enough to compensate for completed projects. We tentatively suggest that the aggregate output index edged down to 0.7 in November.

Still big current account surpluses



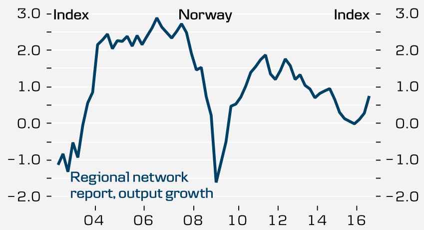
Source: Statistics Denmark

Industrial data should hold strong



Source: Statistics Sweden. Danske Bank calculations

Moderate growth prospects



Source: Macrobond Financial

Market movers ahead

Global movers				Event		Period	Danske	Consensus	Previous
During the week			ITL	Italy constitutional referendum (results expected M					
			EUR	Austrian election					
Mon	05-Dec		GBP	Supreme Court hearing on Brexit begins					
		10:30	GBP	PMI services	Index	Nov	**53.2**	*54.0*	54.5
		10:30	EUR	Sentix Investor Confidence	Index	Dec	**15**	*14.5*	13.1
		16:00	USD	ISM non-manufacturing	Index	Nov	**55.0**	*55.2*	54.8
Tue	06-Dec	4:30	AUD	Reserve Bank of Australia rate decision	%		**1.50%**	*1.50%*	1.50%
Wed	07-Dec	-	CNY	Foreign exchange reserves	USD bn	Nov		*3065.7*	3120.7
		-	PLN	Polish central bank rate decision	%		**1.50%**	*1.50%*	1.50%
		16:00	GBP	NIESR GDP estimate	q/q	Nov		*0.4%*	0.4%
		16:00	CAD	Bank of Canada rate decision	%		**0.50%**	*0.50%*	0.50%
Thurs	08-Dec	-	CNY	Trade balance	USD bn	Nov		*46.7*	49.1
		13:45	EUR	ECB announces refi rate	%		**0.00%**	*0.00%*	0.00%
		13:45	EUR	ECB announces deposit rate	%		**-0.40%**	*-0.40%*	-0.40%
		13:45	EUR	ECB's monthly asset purchase target	EUR bn	Dec	**80**	**80**	80
		14:30	EUR	ECB's Draghi speaks at press conference					
Fri	09-Dec	8:00	NOK	Core inflation(CPI-ATE)	m/m|y/y	Nov	**0.1%|2.9%**	*0.1%|2.9%*	0.2%|2.9%
		16:00	USD	University of Michigan Confidence, preliminary	Index	Dec	**95.0**	*94.1*	93.8
Scandi movers									
Mon	05-Dec	9:30	SEK	Service production	m/m|y/y	Oct			0.5%|3.0%
Tue	06-Dec	10:00	NOK	Norges Bank Regional Network Report: Output next	Index	Oct	**0.7**	*0.7*	0.8
Wed	07-Dec	10:30	DKK	Danish Central Bank publishes Q4 outlook		4th quarter			
Thurs	08-Dec	9:30	SEK	Household consumption	m/m|y/y	Oct			-0.2%|1.5%
Fri	09-Dec								

Source: Bloomberg, Danske Bank Markets

Global Macro and Market Themes

What to watch out for in 2017? Global recovery, reflation and political uncertainties

With 2016 drawing to a close, it is time to take stock and look forward to the New Year. This is exactly what we did this week, when we published our the key macro views and trading ideas across different assets classes for 2017: See our macro view, *The Big Picture*, 30 November, *2017 Fixed Income Top Trades* and *FX Top Trades 2017: How to position for the coming year*, from 1 December. In this strategy piece, we summarise the key ideas in these publications.

The macro outlook: a global recovery paved with political uncertainty

What is the state of the global economy going into 2017? Well, actually not that bad. Indeed, we are seeing the strongest recovery since 2013. This time, the recovery is shared across different regions for the first time in a long time, as both developed and key emerging markets are getting on a stronger footing. Another feature is that the recovery is being driven not only by private consumption but is also likely to be lifted by higher global investment activity, rebounding from the very weak levels observed over the past few years.

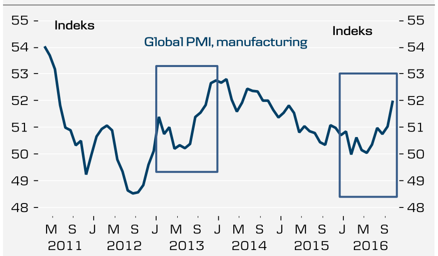
As a result, we have revised our global growth outlook slightly higher in 2017. Due to a small lift in the US and euro area forecasts, we now forecast global growth at 3.5%, up from 3.4%. While Trump's fiscal easing will have a growth impact, we do not (against consensus) think the economy will benefit until late 2017 at the earliest and mostly in 2018. In China, real GDP growth is likely to slow somewhat in 2017 after staging a fairly strong recovery in 2016. Stimulus measures are fading and we think that concerns about the debt levels will become more prominent, adding to pressures on the renminbi. Then we have some of the most battered emerging markets, which are starting to show sign of life again, such as Russia and Brazil, after frosty years of deep recessions.

The key risks next year are political, in our view. This is certainly the case in Europe, where the outcome of elections in major countries (starting with the referendum in Italy on Sunday and the presidential election rerun in Austria) is fairly uncertain. We still need to see the exact policy framework the new Trump administration will come up with.

Key points

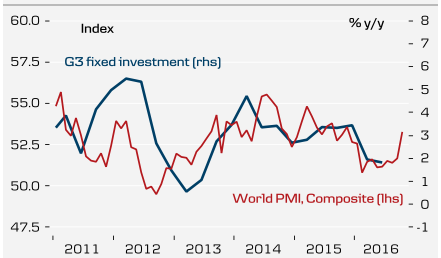
- The global recovery is gathering pace and is likely to continue in 2017.
- Long-term yields are set to rise further with reflation, primarily in the US.
- Despite a fragile OPEC deal, oil prices are likely to rise further in 2017.
- Position for a stronger USD near term but expect a rebound in EUR/USD later in 2017.
- Stronger global economic outlook is still positive for equities.

Chart 1: Strongest global recovery since 2013



Source: Macrobond Financial, Danske Bank Markets

Chart 2: Investment growth set to recover from weak levels ...



Source: Macrobond Financial

Chart 3: ...we forecast global growth at 3.5% in 2017

% y/y	2017 Danske Bank	2017 Consensus	2018 Danske Bank	2018 Consensus
USA	2.2	2.2	2.8	2.2
Euro area	1.5	1.3	1.5	1.5
Japan	0.8	0.8	0.7	0.7
China	6.6	6.4	6.3	6.0
Global	3.5	3.4	3.6	3.4

Source: Macrobond Financial, Danske Bank Markets

Commodities—despite a fragile OPEC deal, oil prices likely to rise further in 2017

After months of discussions and hand wringing, OPEC members struck a deal on Wednesday to cut production to 32.5mb/d effective from 1 January 2017. The deal is contingent on non-OPEC members cutting their production by 600kb/d. According to OPEC, Russia has already committed to delivering 300kb/d in cuts. Another meeting is scheduled for next Friday to get the non-OPEC producers on board. Although reaching an agreement is positive, we are sceptical about the implementation of the deal, which may create a downward correction in oil prices near term.

In 2017, we think that oil prices should be supported by the global recovery and reflation, notably in the US, which is the world's leading oil consumer. In addition, an eventual weakening of the USD would also support a higher oil price. Hence, we see oil prices rising to USD58/bl in Q4 17. Metal prices more should also continue to benefit broadly from the global recovery and infrastructure spending in the US.

Fixed income markets – play diverging reflation pressures

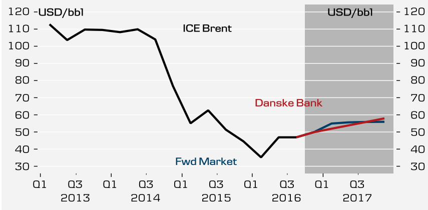
Reflation will be a key theme in global fixed income markets in 2017. However, investors should pay close attention to the durability of reflation in the US and the euro area. In the US, we think reflation is here to stay. The combination of a strong recovery, a more or less closed output gap, rising commodity prices as well as a Fed rate hike, which in our view will partly accommodate the expected fiscal expansion despite our expectation of two hikes next year, will lead to a permanent rise in inflation. Therefore, even after the recent sell-off, we see upside potential for US yields in 2017. Initially, we look for a further steepening of the USD curve 5Y10Y as higher inflation is priced in, but we look for an eventual flattening of the curve as foreign demand and a low natural rate should keep longer US yields from rising even more.

In the eurozone, however, we think the rise in inflation will prove temporary. While inflation is generally expected to climb higher in the near term due to base effects of higher commodity prices, the still notable slack in the eurozone economy should keep a lid on wage growth and inflation pressures in the economy. Although markets have started to price in an interest rate hike by the ECB in 2018, we think it is far too early and look for the ECB to extend its QE programme by six months next Thursday. We believe the rise in European yields will therefore be more muted than the US, although we may see some spill over from higher US yields to Europe.

FX view for 2017: Trump, reflation and valuation

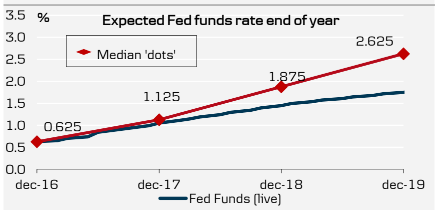
The combination of a stronger US economic outlook and higher US yields should provide a tailwind for the USD over the coming months. As a result, we expect the EUR/USD to take another leap lower to 1.05 in 1M and 1.04 in 3M, as political uncertainty in Europe may also weigh on EUR. However, we maintain our view that the FX cross will head higher mid next year, as the EUR is fundamentally undervalued. The global reflation environment is also typically supportive for the SEK and NOK and we recommend to position for stronger NOK and SEK versus EUR, although near term the two scandi currencies may experience some weakness. We also expect the Japanese yen to see further weakness, notably against the EUR.

Chart 4: Despite the recent uptick in oil prices, we see further gains next year.



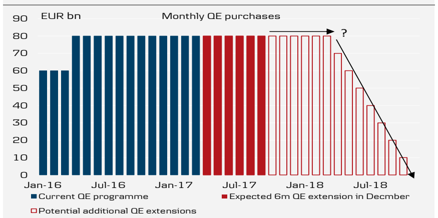
Source: Macrobond Financial, Danske Bank Markets

Chart 5: We think the markets underestimate the number of US rate hikes over the next two-three years...



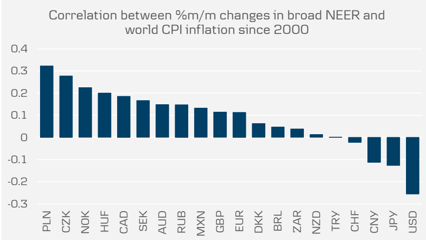
Source: Macrobond Financial, Danske Bank Markets

Chart 6: ...in the eurozone, QE extension and no rate hikes as inflation is well below target...



Source: Macrobond Financial, Danske Bank Markets

Chart 7: CEE, commodity currencies and SEK set to benefit from global reflation



Source: Macrobond Financial, Danske Bank Markets

Equities – stronger global economic outlook still positive for equities

We remain bullish on equities amid a stronger global growth outlook. The Trump win and the outlook for fiscal stimulus, tax cuts and deregulation combined with a reluctant Fed to raise rates aggressively to counteract the fiscal stimulus should provide short-term relief for equities. Add to this that the underlying reflation theme in markets is still very present with strong data from especially the US but also Japan and the euro area. Near term, we recommend buying on dips.

In first half of 2017, we favour an overweight position in equities versus cash. The Trump win has led to a macro policy regime shift in the US and will have positive spill-over effects globally through commodity prices/inflation. This should reinforce the already present reflation theme that has been ongoing in commodities/equities since the UK's Brexit vote and support equities. Once it becomes clearer what the corporate tax rate will be in the US, we forecast an EPS momentum drive in the equity market. In terms of regional allocation, we recommend an overweight position in the US market versus the EU and Nordics as well as emerging markets, which are likely to be hurt by rising protectionism versus emerging markets.

Table 2: Global market views

Asset class	Main factors
Equities	
Overweight stocks short and medium term	Cyclical recovery.
Overweight US, underweight Europe and Nordics, underweight EM	Fiscal boost to US will raise earnings relative to Europe. High risk of protectionism and tighter monetary policy hurting EM assets.
Bond market	
Hier yields, further steepening 2Y10Y curve	More expansive fiscal policy in the US adds to steepening trend. Tapering, higher inflation prints and a global recovery also point towards a steeper curve. ECB QE should mitigate some of the effects.
US-euro spread: slightly wider in 2017	The Fed hike is moving closer, adding upside to the long end of the US curve. But ECB tapering and higher higher inflation prints are risks for the European bond markets, which could potentially tighten the US-Euro spread given that European yields are record low.
Peripheral spreads: tightening	Economic recovery and QE means further tightening. But politics and tapering remain clear risk factors.
Credit spreads: neutral	The ECB is keeping spreads contained.
FX	
EUR/USD - lower going into FOMC meeting in December	USD to remain supported by Trump and Fed in the near term. Higher in 2017.
EUR/GBP - lower short term on re-prising of Brexit risk premium after Trump	Expect EUR/GBP to settle in the 0.83-0.88 range near term. Risk skewed to the upside over the mdium term due to Brexit.
USD/JPY - neutral with short-term risks skewed to the upside	USD/JPY to remian supported near term by relative monetary policy and risk appetite.
EUR/SEK - set to stay elevated in coming months before turning in 2017	Gradually lower on relative fundamentals and valuation in 2017. Near term the SEK will remain weak mainly due to the Riksbank.
EUR/NOK - short-term risks skewed to the upside	At YE, liquidity set to prove a headwind for NOK. Cross to move lower next year on valuation and real rate differentials normalising.
Commodities	
Oil price – rallying on OPEC deal	Support from positive growth and inflation sentiment; market will await implementation of OPEC deal
Metal prices – rallying on outlook for US infrastructure spending	Underlying support from consolidation in mining industry and recovery in global manufacturing.
Gold price – change in risk sentiment negative for gold price	Rising yields and USD pushing gold price down.
Agriculturals – strong output has sent prices down again	Attention has turned to La Niña weather risks in H2 16, large stocks limit upside risk to prices.

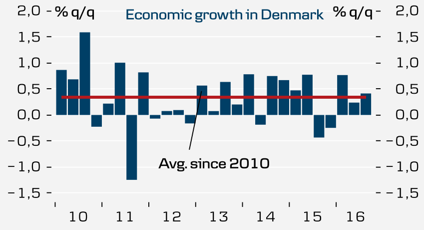
Source: Danske Bank Markets

Scandi Update

Denmark – further healthy economic growth

Although indicators for private consumption and foreign trade pointed to negative growth in Q3, the latest data from Statistics Denmark show that economic activity actually increased by 0.4% q/q. However, drilling down it seems that both private consumption and exports were unchanged and that the increase in GDP was the result of stockbuilding and lower imports. Although it is good news that activity grew healthily in Q3, it would have been even better had it been driven by a rise in investment. Investment boosts productivity and is therefore crucial for future increases in prosperity. The week also brought property prices for September, showing that house prices climbed 0.4% m/m, while apartment prices fell 0.8% m/m, seasonally adjusted. Despite falling m/m, apartment prices still climbed 6.7% y/y.

Healthy growth in Q3



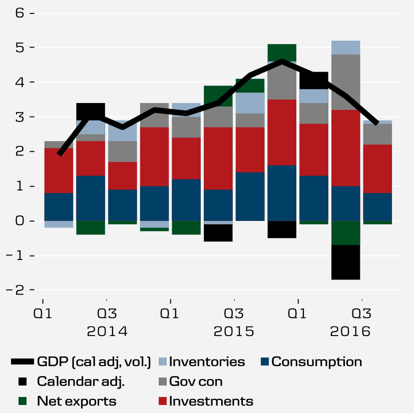
Source: Statistics Denmark

Sweden – GDP wasn't all that bad

The Q3 GDP outcome, at 2.8% y/y, was very much in line with our forecast (2.7% y/y) but lower than market consensus (3.1% y/y). Many commentators and market participants are thus disappointed and the krona and Swedish market rates reacted negatively when the data was released. However, at 2.8% y/y and (after the usual revisions of previous quarters) 0.5% q/q, we feel that a negative take is very much exaggerated. Furthermore, looking at details, exports explain most of the positive developments with household consumption also reclaiming a position as a strong contributor to GDP growth. In addition, public consumption decelerated dramatically, and it seems the inventory build-up over the past few quarters was intentional, making the analysis rather straightforward – demand is building. In short, the GDP outcome was a quite pleasant read – pointing to further strength ahead.

Other data released over the past week were more conflicting. Retail sales continued on a more positive note, while the trade balance was another weak reading. As imports were also low, it is hard to make positive interpretation on the lines of stronger growth ahead.

GDP-contributions

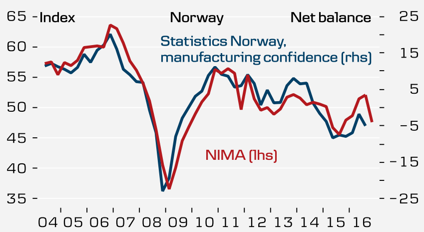


Source: SCB, Macrobond. Danske Bank calculations

Norway – fresh downturn in manufacturing?

There was a surprise fall in the PMI for the manufacturing sector to 47.6 in November, the lowest since March, suggesting that industrial activity decreased in November. The PMI does have a tendency to fluctuate considerably from month to month at times, so we would normally take this with a pinch of salt but, on this occasion, we have also seen a surprise fall in the Q4 manufacturing confidence indicator from Statistics Norway, driven by a sharp decline in order books. This may mean that, while new orders are improving, it is not enough to offset the loss of completed projects. If so, there is a danger that production will fall slightly further. The dip in the PMI in November may therefore be a warning that this is about to happen and that the moderate upturn in Norwegian manufacturing will be interrupted.

Leading indicators point to manufacturing downturn



Source: Macrobond, Danske Bank Markets

Latest research from Danske Bank Markets

2/12 Research Denmark: Large current account surplus is here to stay

Denmark has been running significant current account surpluses over the past few years. However, the surplus has trended down recently and we expect it to edge down a bit further in the years to 2020.

1/12 Presentation: Five macro themes for 2017

In this presentation we look at five macro themes that we expect to shape financial markets in 2017.

30/11 Oil deal more important for OPEC's reputation than the oil market

OPEC has agreed to cut output to 32.5mb/d effective from 1 January 2017

30/11 US Labour Market Monitor: November jobs report not a key determinant for Fed's decision to hike in December

We estimate non-farm payrolls increased by 170,000 in November in line with the recent trend and more or less in line with the consensus of 180,000.

30/11 The Big Picture: Recovery, reflation and political uncertainties
Global economy in synchronised recovery going into 2017

Macroeconomic forecast

Macro forecast, Scandinavia

	Year	GDP[1]	Private cons.[1]	Public cons.[1]	Fixed inv.[1]	Stock build.[2]	Ex-ports[1]	Im-ports[1]	Infla-tion[1]	Unem-ploym.[3]	Public budget[4]	Public debt[4]	Current acc.[4]
Denmark	2015	1.6	2.0	0.6	2.5	-0.3	1.8	1.3	0.5	4.6	-1.7	39.6	9.2
	2016	1.1	1.6	1.0	1.0	-0.2	0.6	0.7	0.3	4.2	-0.6	38.3	7.2
	2017	1.7	1.7	0.7	2.9	0.3	2.8	3.5	1.3	4.0	-1.2	36.8	6.9
Sweden	2015	4.1	2.7	2.5	7.2	0.2	5.6	5.5	0.0	7.4	-0.1	43.4	4.8
	2016	3.2	2.2	4.0	7.3	0.2	2.9	5.0	0.9	6.9	-0.6	41.8	4.8
	2017	1.7	1.1	2.1	2.3	0.1	3.0	3.4	0.8	6.8	-0.5	40.5	5.0
Norway	2015	1.0	2.0	1.9	-4.2	0.3	3.4	1.1	2.1	3.0	-	-	-
	2016	1.0	1.8	2.5	-1.3	0.0	-1.0	0.5	3.2	3.3	-	-	-
	2017	2.3	2.2	3.0	-1.4	-0.2	1.3	1.9	2.2	3.3	-	-	-

Macro forecast, Euroland

	Year	GDP[1]	Private cons.[1]	Public cons.[1]	Fixed inv.[1]	Stock build.[2]	Ex-ports[1]	Im-ports[1]	Infla-tion[1]	Unem-ploym.[3]	Public budget[4]	Public debt[4]	Current acc.[4]
Euroland	2015	1.9	1.8	1.4	2.9	-	6.2	6.2	0.0	10.9	-2.1	90.4	3.6
	2016	1.6	1.5	1.7	3.3	-	2.5	3.0	0.2	10.1	-1.8	91.6	3.7
	2017	1.5	1.0	1.1	2.9	-	3.3	3.3	1.2	9.6	-1.5	90.6	3.5
Germany	2015	1.5	1.9	2.8	1.1	-	4.6	5.0	0.1	4.6	0.7	71.2	8.5
	2016	1.8	1.7	4.2	2.1	-	2.3	3.0	0.4	4.3	0.6	68.1	9.0
	2017	1.9	1.4	2.2	2.0	-	3.3	3.1	1.7	4.1	0.4	65.7	8.7
France	2015	1.2	1.5	1.4	0.9	-	6.0	6.4	0.1	10.4	-3.5	96.2	-2.0
	2016	1.2	1.4	1.4	2.8	-	0.7	2.9	0.3	10.2	-3.3	96.4	-2.1
	2017	1.0	0.8	1.2	2.1	-	2.6	3.5	1.1	10.1	-2.9	96.8	-2.3
Italy	2015	0.6	1.5	-0.6	1.1	-	4.0	5.8	0.1	11.9	-2.6	132.3	1.6
	2016	0.9	1.2	0.7	2.2	-	2.0	2.2	-0.1	11.6	-2.4	133.0	2.8
	2017	1.0	0.7	0.6	2.0	-	3.7	3.4	1.3	11.5	-2.4	133.1	2.5
Spain	2015	3.2	2.9	2.0	6.0	-	4.9	5.6	-0.6	22.1	-5.1	99.8	1.3
	2016	3.2	3.0	1.3	3.6	-	4.0	3.0	-0.4	19.7	-4.6	99.5	1.7
	2017	2.3	2.1	1.4	2.9	-	2.6	2.1	1.7	18.3	-3.8	99.9	1.5
Finland	2015	0.2	1.5	0.4	0.7	-	-0.2	1.9	-0.2	9.4	-2.7	62.6	-0.4
	2016	0.8	1.5	0.0	3.5	-	0.5	1.0	0.4	8.9	-2.4	65.0	-0.5
	2017	1.0	0.7	-0.5	3.0	-	2.5	2.0	1.0	8.6	-2.4	67.0	0.0

Macro forecast, Global

	Year	GDP[1]	Private cons.[1]	Public cons.[1]	Fixed inv.[1]	Stock build.[2]	Ex-ports[1]	Im-ports[1]	Infla-tion[1]	Unem-ploym.[3]	Public budget[4]	Public debt[4]	Current acc.[4]
USA	2015	2.6	3.2	1.8	4.0	0.2	0.1	4.6	0.1	5.3	-2.6	105	-2.7
	2016	1.6	2.6	0.8	0.4	-0.4	0.7	0.7	1.3	4.9	-2.9	105	-2.9
	2017	2.2	2.2	0.6	2.8	0.1	3.2	2.3	2.4	4.7	-2.8	103	-3.3
China	2015	6.8	-	-	-	-	-	-	1.7	4.2	-0.8	41.8	2.4
	2016	6.7	-	-	-	-	-	-	2.3	4.2	-0.8	42.8	2.3
	2017	6.6	-	-	-	-	-	-	2.0	4.3	-1.0	43.5	2.5
UK	2015	2.2	2.6	1.4	3.3	0.3	4.8	5.8	0.0	5.4	-5.0	87.4	-5.2
	2016	1.8	2.6	0.9	0.2	0.3	2.4	3.3	0.6	5.0	-3.9	88.9	-5.5
	2017	0.7	1.4	0.0	-0.7	0.0	2.7	2.5	2.3	5.2	-2.9	88.3	-5.2

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

Financial forecast

Bond and money markets

		Key int. rate	3m interest rate	2-yr swap yield	10-yr swap yield	Currency vs EUR	Currency vs USD	Currency vsSEK
USD	02-Dec	0.50	0.93	1.35	2.27	106.6	-	921.3
	+3m	0.75	1.08	1.35	2.40	104.0	-	932.7
	+6m	0.75	1.24	1.55	2.60	108.0	-	870.4
	+12m	1.00	1.50	1.85	2.90	112.0	-	830.4
EUR	02-Dec	0.00	-0.31	-0.15	0.74	-	106.6	982.3
	+3m	0.00	-0.30	-0.20	0.75	-	104.0	970.0
	+6m	0.00	-0.30	-0.10	0.95	-	108.0	940.0
	+12m	0.00	-0.30	0.00	1.35	-	112.0	930.0
JPY	02-Dec	-0.10	-0.07	0.03	0.21	121.5	114.0	8.08
	+3m	-0.10	-	-	-	119.6	115.0	8.11
	+6m	-0.10	-	-	-	124.2	115.0	7.57
	+12m	-0.10	-	-	-	128.8	115.0	7.22
GBP	02-Dec	0.25	0.38	0.66	1.40	84.5	126.1	1161.9
	+3m	0.25	0.40	0.55	1.40	88.0	118.2	1102.3
	+6m	0.25	0.40	0.55	1.50	90.0	120.0	1044.4
	+12m	0.25	0.40	0.60	1.75	90.0	124.4	1033.3
CHF	02-Dec	-0.75	-0.75	-0.64	0.17	107.8	101.1	911.4
	+3m	-0.75	-	-	-	107.0	102.9	906.5
	+6m	-0.75	-	-	-	110.0	101.9	854.5
	+12m	-0.75	-	-	-	113.0	100.9	823.0
DKK	02-Dec	0.05	-0.19	0.06	1.01	744.0	697.8	132.0
	+3m	0.05	-0.17	0.00	1.05	744.3	715.6	130.3
	+6m	0.05	-0.17	0.10	1.20	744.3	689.1	126.3
	+12m	0.05	-0.17	0.20	1.60	744.3	664.5	125.0
SEK	02-Dec	-0.50	-0.62	-0.42	1.13	982.3	921.3	100.0
	+3m	-0.60	-0.65	-0.45	1.20	970.0	932.7	-
	+6m	-0.60	-0.65	-0.40	1.20	940.0	870.4	-
	+12m	-0.60	-0.65	-0.45	1.40	930.0	830.4	-
NOK	02-Dec	0.50	1.14	1.33	2.04	898.7	842.9	109.3
	+3m	0.50	1.00	1.20	1.80	920.0	884.6	105.4
	+6m	0.50	0.90	1.30	2.00	900.0	833.3	104.4
	+12m	0.50	0.90	1.40	2.30	880.0	785.7	105.7

Equity markets

Regional		Risiko profil 3 mdr.	Pris trend 3 mdr.	Pris trend 12 mdr.	Regionale rekommen-dationer
USA (USD)	Growth boost: fisc. expansion, tax cuts, infl./growth-impulse	Medium	5-10%	10-15%	Overweight
Emerging markets (local ccy)	Hurt by stronger USD and increased protectionism	Medium	-5-0%	-5-+5%	Underweight
Japan (JPY)	Valuation and currency support	Medium	5-10%	10-15%	Overweight
Euro area (EUR)	Weaker growth and EPS momentum than USA	Medium	0-5%	0-5%	Underweight
UK (GBP)	Currency support, stronger infl. exp. off-set Brexit negativity	Medium	3-8%	5-10%	Neutral
Nordics (local ccy)	Currency support on earnings, continued domestis demand	Medium	3-8%	5-10%	Neutral

Commodities

		2016				2017				Average	
	02-Dec	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2016	2017
NYMEX WTI	51	34	46	45	50	52	54	56	58	44	55
ICE Brent	54	35	47	47	50	52	54	56	58	45	55
Copper	5,791	4,672	4,731	4,792	4,900	5,000	5,100	5,200	5,300	4,774	5,150
Zinc	2,728	1,687	1,930	2,255	2,150	2,150	2,150	2,100	2,100	2,005	2,125
Nickel	11,210	8,537	8,885	10,308	10,700	10,900	11,100	11,300	11,500	9,607	11,200
Aluminium	1,722	1,516	1,584	1,632	1,700	1,750	1,800	1,850	1,900	1,608	1,825
Gold	1,176	1,183	1,260	1,335	1,325	1,300	1,275	1,250	1,225	1,276	1,263
Matif Mill Wheat	160	157	159	160	165	167	169	171	173	160	170
Rapeseed	411	359	370	368	390	400	390	380	370	372	385
CBOT Wheat	373	466	470	406	425	450	475	500	525	442	488
CBOT Corn	334	363	391	331	390	400	410	415	420	369	411
CBOT Soybeans	1,031	881	1,059	1,013	1,050	1,100	1,075	1,050	1,025	1,001	1,063

Source: Danske Bank Markets

Calendar

Key Data and Events in Week 49

During the week				Period	Danske Bank	*Consensus*	Previous
Sat 03	USD	Fed's Dudley (voter, dovish) speaks					
Sun - Mon	ITL	Italy constitutional referendum (results expected Mon)					
Sun 04	EUR	Austrian election					
Monday, December 5, 2016				Period	Danske Bank	*Consensus*	Previous
	GBP	Supreme Court hearing on Brexit begins					
1:30	JPY	Markit PMI services	Index	Nov			50.5
2:45	CNY	Caixin PMI service	Index	Nov			52.4
6:00	JPY	Consumer confidence	Index	Nov			42.3
8:30	SEK	PMI services	Index	Nov			57.6
9:15	ESP	PMI services	Index	Nov		*55.2*	54.6
9:30	SEK	Industrial production s.a.	m/m|y/y	Oct		*0.2%|1.5%*	6.8%|1.5%
9:30	SEK	Service production	m/m|y/y	Oct			0.5%|3.0%
9:30	SEK	Industrial orders	m/m|y/y	Oct			7.3%|-16.4%
9:45	ITL	PMI services	Index	Nov		*51.6*	51.0
9:50	FRF	PMI services, final	Index	Nov		*52.6*	52.6
9:55	DEM	PMI services, final	Index	Nov		*55.0*	55.0
10:00	EUR	PMI composite, final	Index	Nov		*54.1*	54.1
10:00	EUR	PMI services, final	Index	Nov		*54.1*	54.1
10:00	EUR	Eurogroup meeting in Brussels					
10:30	GBP	PMI services	Index	Nov	**53.2**	*54.0*	54.5
10:30	EUR	Sentix Investor Confidence	Index	Dec	**15**	*14.5*	13.1
11:00	EUR	Retail sales	m/m|y/y	Oct	**0.8%|...**	*0.8%|1.7%*	-0.2%|1.1%
14:30	USD	Fed's Dudley (voter, dovish) speaks					
15:25	USD	Fed's Evans (non-voter, dovish) speaks					
15:45	USD	Markit PMI service, final	Index	Nov		*54.9*	54.7
16:00	USD	ISM non-manufacturing	Index	Nov	**55.0**	*55.2*	54.8
16:00	USD	Fed's LMCI	m/m	Nov			0.7
20:05	USD	Fed's Bullard (voter, dove) speaks					
Tuesday, December 6, 2016				Period	Danske Bank	*Consensus*	Previous
1:00	JPY	Labor cash earnings	y/y	Oct		*0.2%*	0.0%
4:30	AUD	Reserve Bank of Australia rate decision	%		**1.50%**	*1.50%*	1.50%
8:00	DEM	Factory orders	m/m|y/y	Oct	**1.0%|...**	*0.6%|1.6%*	-0.6%|2.6%
9:00	EUR	ECOFIN meeting in Brussels					
9:15	CHF	CPI	m/m|y/y	Nov		*-0.1%|-0.1%*	0.1%|-0.2%
10:00	NOK	Norges Bank Regional Network Report: Output next 6M	Index	Oct	**0.7**	*0.7*	0.8
11:00	EUR	GDP, final	q/q|y/y	3rd quarter		*0.3%|1.6%*	0.3%|1.6%
11:00	EUR	Gross fixed investments	q/q	3rd quarter		*0.4%*	1.1%
11:00	EUR	Government consumption	q/q	3rd quarter		*0.4%*	0.2%
11:00	EUR	Private consumption	q/q	3rd quarter		*0.3%*	0.2%
14:30	USD	Unit labour cost, final	q/q	3rd quarter		*0.3%*	0.3%
14:30	USD	Trade balance	USD bn	Oct		*-41.6*	-36.4
16:00	USD	Core capital goods orders, final	%	Oct			0.4%

Source: Danske Bank Markets

Calendar – continued

Wednesday, December 7, 2016				Period	Danske Bank	*Consensus*	Previous
-	CNY	Foreign exchange reserves	USD bn	Nov		*3065.7*	3120.7
-	PLN	Polish central bank rate decision	%		**1.50%**	*1.50%*	1.50%
1:30	AUD	GDP	q/q|y/y	3rd quarter		*0.5%|2.5%*	0.5%|3.3%
6:00	JPY	Leading economic index, preliminary	Index	Oct		*101.5*	100.3
8:00	NOK	Manufacturing production	m/m|y/y	Oct			2.2%|-5.6%
8:00	NOK	Industrial production	m/m|y/y	Oct			-5.6%|-12.4%
8:00	DEM	Industrial production	m/m|y/y	Oct	**1.5%|...**	*0.8%|1.5%*	-1.8%|1.2%
9:00	DKK	Industrial production	m/m	Oct			-8.1%
9:00	CHF	SNB balance sheet, intervention	CHF bn	Nov			630.3
9:30	SEK	Budget balance	SEK bn	Nov			-15.8
10:30	DKK	Danish Central Bank publishes Q4 outlook		4th quarter			
10:30	GBP	Industrial production	m/m|y/y	Oct		*0.2%|0.4%*	-0.4%|0.3%
10:30	GBP	Manufacturing production	m/m|y/y	Oct		*0.2%|0.8%*	0.6%|0.2%
16:00	GBP	NIESR GDP estimate	q/q	Nov		*0.4%*	0.4%
16:00	CAD	Bank of Canada rate decision	%		**0.50%**	*0.50%*	0.50%
16:30	USD	DOE U.S. crude oil inventories	K				-884
21:00	USD	Consumer credit	USD bn	Oct		*17.5*	19.3
Thursday, December 8, 2016				**Period**	**Danske Bank**	***Consensus***	**Previous**
-	CNY	Trade balance	USD bn	Nov		*46.7*	49.1
0:50	JPY	GDP deflator, final	y/y	3rd quarter		*-0.1%*	-0.1%
0:50	JPY	GDP, final	q/q|ann.	3rd quarter		*0.6%|2.3%*	0.5%|2.2%
1:01	GBP	RICS house price balance	Index	Nov		*0.3*	0.2
6:00	JPY	Eco Watchers Survey Outlook (Current)	Index	Nov			49.0|46.2
9:30	SEK	Household consumption	m/m|y/y	Oct			-0.2%|1.5%
9:30	SEK	Average house prices	SEK m	Nov			2.671
13:45	EUR	ECB announces refi rate	%		**0.00%**	*0.00%*	0.00%
13:45	EUR	ECB announces deposit rate	%		**-0.40%**	*-0.40%*	-0.40%
13:45	EUR	ECB's monthly asset purchase target	EUR bn	Dec	**80**	**80**	80
14:30	EUR	ECB's Draghi speaks at press conference					
14:30	USD	Initial jobless claims	1000				268
Friday, December 9, 2016				**Period**	**Danske Bank**	***Consensus***	**Previous**
-	EUR	Fitch may publish ESM's debt rating					
-	EUR	Fitch may publish EFSF's debt rating					
-	EUR	Fitch may publish France's debt rating					
-	EUR	S&P may publish Estonia's debt rating					
2:30	CNY	PPI	y/y	Nov		*2.2%*	1.2%
2:30	CNY	CPI	y/y	Nov		*2.2%*	2.1%
7:45	CHF	Unemployment	%	Nov		*3.3%*	3.3%
8:00	DEM	Trade balance	EUR bn	Oct		*22*	24.2
8:00	DEM	Labour costs	q/q|y/y	3rd quarter			0.2%|1.8%
8:00	NOK	Core inflation(CPI-ATE)	m/m|y/y	Nov	**0.1%|2.9%**	*0.1%|2.9%*	0.2%|2.9%
8:00	NOK	CPI	m/m|y/y	Nov		*0.2%|3.5%*	0.5%|3.7%
8:00	NOK	PPI	m/m|y/y	Nov			2.3%|-4.5%
8:45	FRF	Industrial production	m/m|y/y	Oct		*0.6%%|-0.7%*	-1.1%|-1.1%
9:00	DKK	Current account (nsa|sa)	DKK bn	Oct			...|11.9
9:00	DKK	Trade balance ex ships	DKK bn	Oct			5.6
9:00	DKK	Exports	m/m	Oct			
10:30	GBP	Construction output	m/m|y/y	Oct		*0.2%|-0.2%*	0.3%|0.2%
10:30	GBP	Trade balance	GBP mio.	Oct		*-4363*	-5221
16:00	USD	University of Michigan Confidence, preliminary	Index	Dec	**95.0**	*94.1*	93.8

The editors do not guarantee the accurateness of figures, hours or dates stated above
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Source: Danske Bank Markets

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