

Weekly Focus

Recession or re-acceleration?

Following a period where the discussion was not about *if* we would have a recession but *how long and how deep* it would get, focus has now turned to whether we will avoid recession and in fact could be seeing a mild re-acceleration of global growth. The main reason is 1) economic data has not been quite as bad as feared, 2) China has reopened earlier and faster than expected and 3) mild winter weather has pushed down gas and electricity prices. The change in sentiment has underpinned a rally in equity and credit market since October with emerging markets and euro risk assets taking the lead.

A strong US labour market report on Friday last week added to the sense that the global economy may actually be bottoming out going into the new year, see *Research US – From soft landing to no landing?*, 9 February. It is supported by an increase in global PMI for January, a decent rise in some of the most leading surveys in the euro area (Euro Sentix, ifo expectations) and a broad improvement of what we call the “growth tax”, which is a summary of the change in financial conditions and energy prices. Order-inventory balances have also turned higher in for example US, the euro area and China. Hence, after a year with heavy clouds over the global economy, we start to see some rays of light, see also *Research Global – Global manufacturing PMI heading higher in H1*, 29 January.

The flip side is, though, that central banks will have to err on the hawkish side for longer. We did indeed see more signals over the past week from both the ECB and the Fed that more rate hikes will be needed to get inflation down – and keep it down. It led to a rebound in bond yields and in the middle of the week caused some headwinds to risk assets and metal prices.

US-China tensions flared up again after the US shot down an alleged Chinese ‘spy balloon’, which China claims is a civilian balloon for research of weather. It caused a short-term exchange of harsh rhetoric but things have already calmed down a bit. What will be more important is a likely visit to Taiwan by the new Speaker of the US House, Kevin McCarthy. It could happen during spring and would most likely trigger a similar strong response from China as was seen when Nancy Pelosi travelled to Taiwan in August.

Next week all eyes will be on the US CPI for January. Core inflation has surprised to the downside in recent months paving the way for the Fed to reduce the pace of hiking to 25bp steps. We look for core inflation to rise to 0.4% m/m, an increase from 0.3% m/m in December. It is still a too high run rate for the Fed to be comfortable with inflation moving back to the 2% target and we look for another two 25bp hikes in March and May with the risk of more hikes needed after that. Following the rise in rates this week, the market is now in line with our baseline scenario of two hikes but is still too optimistic in our view when it comes to the pricing of rate cuts in the second half of the year. We also get US retail sales, which will give more information on the state of the US consumer. Sales have been softer in recent months but consensus looks for a rebound in January based on high-frequency transaction data. In Europe we have no big data releases but the European Commission will publish new forecasts, where focus is on their stance on recession and how fast inflation comes down.

Key global views

- Stagnation and periodic contraction in the US and in Europe during 2023.
- US and euro area headline inflation set to decline further, but core inflation likely to stay elevated.
- More rate hikes in store

Key market movers

- Tuesday: US CPI
- Wednesday: US retail sales, US Empire index,
- Thursday: US Philadelphia Fed index, China home prices

Selected reading from Danske Bank

- *Research US – Soft landing to no landing?*, 9 February
- *Flash Comment Riksbank – U-turn on SEK*, 9 February
- *Research – US-China relations turn sour again*, 6 February
- *Euro Area Monitor – Between light and shadow*, 6 February
- *Executive Briefing – Markets cheer as recession and inflation risk abate*, 6 February

Editor

Allan von Mehren
+45 45 14 14 88
alvo@danskebank.com

Scandi market movers

- In **Denmark**, we are scheduled to receive Statistics Denmark's GDP indicator on Tuesday – the first preliminary reckoning of GDP growth in Q4 22. The numbers will likely be heavily influenced by the huge 46.2% increase in pharmaceutical production in December, which we expect to be included in the GDP calculation and which will pull quarterly growth a good 0.75 percentage points higher. However, just how real an uptick in production the figures cover is uncertain. They may include production abroad that has changed status and is now counted as happening at a Danish company. In contrast, those companies serving domestic consumers experienced a weak quarter. Consumer spending on energy rose due to higher prices, but after adjusting for price changes, consumption actually fell significantly. Overall, we expect the indicator to show positive growth of around 0.5%, but this will be for an economy that in many areas had slipped into negative territory.

- There is a limited amount of data coming out of **Sweden** next week. Valueguard's January HOX index is likely to show stabilisation in property prices at least in Stockholm. Our own Bopris indicator showed condo prices rising slightly. That said, we expect prices to turn lower again in February as most fundamental factors remain strongly negative.

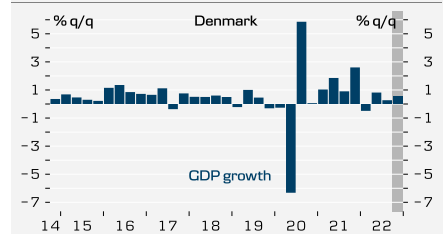
Unemployment has shown a modest increase since the bottom this summer. On the back of deteriorating fundamentals in terms of rising layoffs, slowing hiring plans and bankruptcies, we would expect a further rise in unemployment.

Markets are likely to be more interested about the messages from Riksbank's Thedéen and Jansson. That said, we don't expect anything new to come out as we are still in the "silent period" ahead of the release of the Minutes.

- In **Norway**, Norges Bank's Q1 expectations survey will be very important in the central bank's current situation. Put simply, the better that wage and price expectations are anchored, the more account it can take of dwindling growth and inflation. It is a fairly safe bet that expectations for this year will be at least as high as in the previous survey. Particularly interesting will be what level of wage growth the unions envisage. We also look forward to seeing where expectations for next year come out in terms of both wages and prices. Expectations peaking this year and falling next year are an important premise for a reduced risk of persistently high inflation. Central bank governor Ida Wolden Bache's annual address will be a golden opportunity to shed more light on the balancing act currently facing Norges Bank. We would also love to hear the bank's view on whether the long-term neutral real interest rate has changed. Last autumn, the bank estimated that it was between -0.5% and +0.5%.

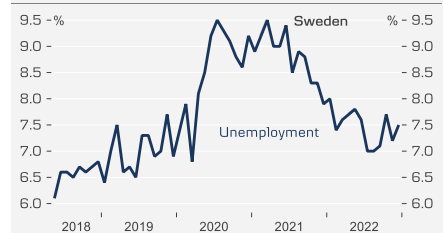
GDP growth was much stronger than expected towards the end of last year. Although we expect it to slow in December, with mainland GDP falling 0.2% m/m, this would still give solid growth of 0.7% q/q for Q4. That said, it will be worth keeping an eye out for any revisions of previous data, as these can sometimes change the picture quite considerably. Also of interest during the week is the Q1 oil investment survey. The estimates for this year should be substantially higher than in the previous survey, but this has probably already been discounted by most forecasters.

We expect Danish GDP grew by 0.5% in Q4 22



Source: Danmarks Statistik, Danske Bank, Macrobond Financial

Sweden: unemployment set to rise further



Source: SCB

Wage expectations have shot up



Source: Macrobond, Danske Bank

Scandi update

Denmark – Inflation dips, but by slightly less than expected

Inflation has declined once more to 7.7% in January from 8.7% in December – the third consecutive fall since peaking at some 10.1% in October. Energy prices declined on the back of electricity levies being cut on 1 January 2023 to the EU minimum and a drop in the market price for gas. In contrast, district heating prices rose sharply. Excluding energy and food, prices increased by 0.5% from December to January (seasonally adjusted). That is a considerable jump, and somewhat more than expected. Our view is that inflation should fall steadily in 2023, mainly for two reasons. First, many prices had already risen at the start of 2022, so annual growth rates will ease (base effect). Second, we expect interest rate hikes from the central banks will begin to put a damper on growth and thus reduce price pressures.

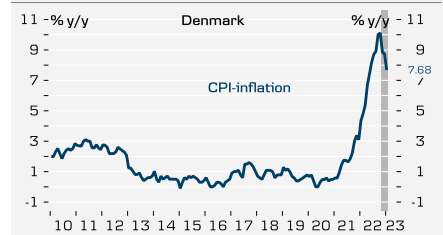
The unemployment indicator, the first reckoning of jobless numbers in January, showed an increase of 300, but given the uncertainty surrounding the figures, in practice that means zero. Hence, it would appear that the recent increase in unemployment has lost steam, at least for now. However, we still expect to see unemployment tick up during the year due to the slumping economy.

Some 274 active companies went bankrupt in January (seasonally adjusted), continuing the upward trend that has been in place since last summer. Bankruptcy numbers currently running above the norm is due in no small measure to the expiry of corona-related relief schemes. Rising interest rates and the economic slowdown have so far not pushed so many companies over the edge, but we should likely count on the number growing as these factors intensify. Nevertheless, we are not expecting the number of bankruptcies to be on a scale with that seen in the wake of the financial crisis.

Denmark's current account surplus rose strongly between November and December, not least due to the sharp fall in November caused by the inclusion of a patent imported into Denmark. For 2022 overall, the surplus amounted to DKK363.4bn compared to DKK228.8bn in 2021 and was very much driven by the rise in shipping prices. This very sizeable surplus stands in stark contrast to most European nations, whose current account balances are being eroded by higher energy prices. The large current account surplus is a major reason why Danmarks Nationalbank has on several occasions increased the interest rate spread to the ECB.

Industrial production rose by an impressive 15.3% between November and December, largely due to a whopping 46.2% increase in the pharmaceutical industry. If we exclude pharmaceuticals, growth was a much more modest 0.2%, which is a more accurate portrayal of activity levels in the industrial sector right now.

Inflation declines further, but by slightly less than expected



Source: Danske Bank, Statistics Denmark, Macrobond Financial

Sweden – Active QT and a U-turn on SEK

The rate hike of 50bp to 3.00% was delivered as expected and also the rate path was roughly in line with expectations. What stood out compared to our expectation of the rate path is that it is not showing any easing bias towards the end of the period (Q1 2026). We find it unlikely the new rate path will materialise and also note that the Riksbank in their forecasts expect international central banks to eventually cut rates. We merely interpret the flat path as a signalling effect and the market, as suspected, is not convinced and continues to price rate cuts starting in September (although that is a bit too early in our view). The new rate path suggests a 33bp hike for the April meeting, leaving the door open for another 50bp hike. For now, we stick to our forecast of 25bp in April, but the risks are seemingly to the upside. The decision was unanimous and we note that the board members that previously have voiced a concern around further rate hikes are seemingly not as worried enough to enter a reservation against the decision.

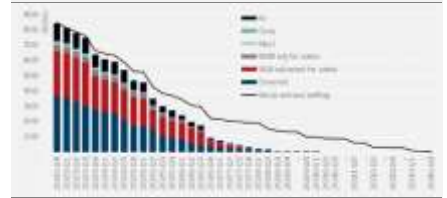
The decision to launch an "active QT" and sell government bonds was a bigger surprise, in particular as it is intended to bolster the SEK. We strongly doubt there will be a sustainable effect. In 2023, SEK 182 bn of Riksbank bonds holdings (o/w SEK 55 bn government bonds) will mature. On top of that the Riksbank will sell about SEK 24bn this year. The chart assumes active selling for SEK 3.5 bn per month in coming years.

Another big surprise was the decision to increase the amount of weekly certificates to fully absorb the excess liquidity in the system. This means that the ON deposit facility will evaporate from today's SEK586bn to SEK20bn next week(!).

Norway – Inflation rises again

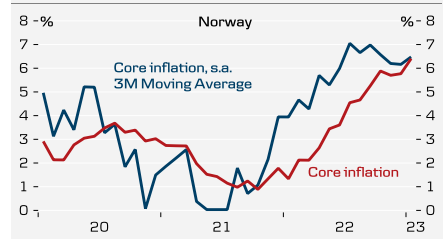
Core inflation climbed to 6.4% in January, well above our prediction of 5.9%. Drilling down, rents rose further than expected on the back of last year's soaring inflation. Otherwise, the picture is one of strong cost growth and weaker demand, with the first of these clearly dominant – in other words there is still plenty of pricing power in many industries. Prices for transport, hotels/restaurants and other services such as health and culture are rising rapidly. Import prices are also climbing fast, which may be down to the weaker krone last year. Prices for clothing and furniture are increasing less quickly, possibly as a result of decreased demand. It is also interesting to see that prices for Norwegian food fell more or less as usual in January. Inflation is now considerably higher than projected by Norges Bank in the December monetary policy report (5.9%), increasing the chances of a further rate increase after the one already signalled for the March meeting.

Sweden: Riksbank bond holdings with and without active QT



Source: Danske Bank

Higher inflation



Source: Macrobond, Danske Bank

Calendar – 13-17 February 2023

During the week			Period	Danske Bank	Consensus	Previous
Sat 11	USD	Fed's George speaks				
Monday, February 13, 2023			Period	Danske Bank	Consensus	Previous
8:30	CHF	CPI	m/mly/y	Jan	0.4% 2.9%	-0.2% 2.8%
14:00	USD	Fed's Bowman speaks				
Tuesday, February 14, 2023			Period	Danske Bank	Consensus	Previous
0:50	JPY	GDP deflator, preliminary	y/y	4th quarter	1.1%	-0.3%
0:50	JPY	GDP, preliminary	q/q ann.	4th quarter	0.5% 2.0%	-0.2% -0.8%
5:30	JPY	Industrial production, final	m/mly/y	Dec		-0.1% -2.8%
6:30	NOK	Consumer confidence	Net. bal.	1st quarter		-38
7:30	FRF	ILO unemployment	%	4th quarter	7.3%	7.3%
8:00	GBP	Average weekly earnings ex bonuses (3M)	y/y	Dec	6.6%	6.4%
8:00	NOK	GDP (total)	q/q	4th quarter		1.5%
8:00	NOK	GDP (mainland)	q/q	4th quarter	0.7%	0.8%
8:00	NOK	GDP (mainland)	m/m	Dec		0.2%
8:00	GBP	Unemployment rate (3M)	%	Dec	3.7%	3.7%
8:00	DKK	GDP indicator	q/q	4th quarter	0.5%	0.5%
11:00	EUR	GDP, preliminary	q/qly/y	4th quarter	0.1% 1.9%	0.1% 1.9%
11:00	EUR	Employment, preliminary	q/qly/y	4th quarter		0.3% 1.8%
12:00	USD	NFIB small business optimism	Index	Jan	91.0	89.8
14:30	USD	CPI headline	m/mly/y	Jan	0.5% 6.1%	0.5% 6.2%
14:30	USD	CPI core	m/mly/y	Jan	0.4% 5.4%	0.3% 5.4%
17:30	USD	Fed's Harker speaks				
20:05	USD	Fed's Williams speaks				
Wednesday, February 15, 2023			Period	Danske Bank	Consensus	Previous
8:00	GBP	CPI	m/mly/y	Jan	-0.4% 10.3%	0.4% 10.5%
8:00	GBP	CPI core	y/y	Jan	6.2%	6.3%
8:00	NOK	Trade balance	NOK bn	Jan		148.8
9:00	ESP	HICP, final	m/mly/y	Jan	-0.5% 5.8%	-0.5% 5.8%
11:00	EUR	Industrial production	m/mly/y	Dec	-0.9% -0.6%	1.0% 2.0%
11:00	EUR	Trade balance	EUR bn	Dec		-15.2
14:30	USD	Empire Manufacturing PMI	Index	Feb	-20.0	-32.9
14:30	USD	Retail sales control group	m/m	Jan	0.7%	-0.7%
15:15	USD	Capacity utilization	%	Jan	79.1%	78.8%
15:15	USD	Industrial production	m/m	Jan	0.5%	-0.7%
15:15	USD	Manufacturing production	m/m	Jan	0.6%	-1.3%
16:00	USD	NAHB Housing Market Index	Index	Feb	37.0	35.0
16:30	USD	DOE U.S. crude oil inventories	K			2423
17:00	USD	Fed's George speaks				
22:00	USD	Fed's George speaks				
22:00	USD	TICS international capital flow, Net inflow	USD bn	Dec		213.1
Thursday, February 16, 2023			Period	Danske Bank	Consensus	Previous
0:50	JPY	Exports	y/y (%)	Jan	0.0	0.1
0:50	JPY	Import	y/y (%)	Jan	0.2	0.2
0:50	JPY	Trade balance, s.a.	JPY bn	Jan	-2469.8	-1724.2
1:30	AUD	Employment change	1000	Jan	20	-14.6
10:00	EUR	ECB Publishes Economic Bulletin				
14:30	USD	Initial jobless claims	1000			196
14:30	USD	Building permits	1000 (m/m)	Jan	1350	1337.0 (-1.0%)
14:30	USD	PPI	m/mly/y	Jan	0.4% 5.4%	-0.5% 6.2%
14:30	USD	PPI core	m/mly/y	Jan	0.3% 4.9%	0.1% 5.5%
14:30	USD	Housing starts	1000 (m/m)	Jan	1355	1382.0 (-1.4%)
14:30	USD	Philly Fed index	Index	Feb	-7.4	-8.9
14:45	USD	Fed's Mester speaks				
17:00	USD	Fed's George speaks				
19:30	USD	Fed's Bullard speaks				
Friday, February 17, 2023			Period	Danske Bank	Consensus	Previous
-	EUR	Finland's debt rating (Fitch)				
0:15	USD	Fed's Mester speaks				
8:00	GBP	Retail sales ex fuels	m/mly/y	Jan	-0.5% 5.8%	-1.1% 6.1%
8:45	FRF	HICP, final	m/mly/y	Jan	0.4% 7.0%	0.4% 7.0%
10:00	EUR	Current account	EUR bn	Dec		13.6
14:30	USD	Import prices	m/mly/y	Jan	-0.1%	0.4% 3.5%
14:30	USD	Fed's George speaks				
14:30	USD	Fed's Barkin speaks				
14:45	USD	Fed's Bowman speaks				

Source: Danske Bank

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	2022	2.9	-2.6	-1.1	4.4	7.4	3.2	7.7	3.5	2.6	1.2	29.7	11.8
	2023	-1.0	-2.3	0.0	-3.3	1.3	-0.7	4.9	4.1	3.1	1.0	28.1	9.5
	2024	1.0	1.8	0.9	-2.1	1.2	0.4	2.0	4.2	3.4	0.8	27.0	9.5
Sweden	2022	2.6	2.6	-0.2	5.6	4.6	7.9	8.4	2.5	7.5	0.7	31.0	3.9
	2023	-1.2	-1.3	1.1	-3.0	1.3	0.2	8.5	3.2	8.2	-0.9	29.0	4.4
	2024	1.2	2.0	1.2	1.8	2.8	2.6	1.3	2.7	8.1	-0.4	29.0	4.5
Norway	2022	3.7	6.6	0.3	4.0	3.0	12.1	5.8	3.9	1.8	-	-	-
	2023	0.6	-0.5	1.3	0.5	3.5	2.5	4.8	4.3	2.2	-	-	-
	2024	1.5	0.9	1.5	4.0	2.0	2.0	2.1	3.8	2.4	-	-	-

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	2022	3.5	4.0	1.2	4.4	7.5	8.6	8.4	4.2	6.7	-3.9	93.7	1.5
	2023	0.1	-0.3	0.8	1.7	3.5	5.2	5.6	4.9	6.9	-4.0	92.5	1.9
	2024	0.3	0.9	1.0	0.0	3.6	4.6	2.5	3.6	7.0	-3.5	91.6	2.4
Germany	2022	1.9	4.6	1.6	0.4	3.2	6.7	8.7	4.1	3.0	-2.3	67.4	3.7
	2023	-0.4	-0.6	0.9	-0.7	3.3	4.4	6.6	5.4	3.3	-2.7	65.5	4.6
	2024	0.1	0.8	1.2	0.0	3.2	4.6	2.6	4.3	3.5	-1.9	66.2	4.9
Finland	2022	1.8	2.3	2.5	4.5	1.5	7.0	7.1	2.6	6.8	-1.8	70.7	-3.3
	2023	-0.7	-0.3	1.5	-1.0	-1.5	-2.0	4.8	4.0	7.3	-2.5	71.0	-2.7
	2024	0.5	0.4	1.0	0.5	1.5	1.0	2.2	3.5	7.2	-2.0	71.7	-2.1

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	2022	2.1	2.8	-0.6	-0.3	7.2	8.1	8.0	5.2	3.6	-4.2	124.0	-3.9
	2023	0.3	0.3	1.5	-5.2	1.0	-5.7	3.1	4.0	4.0	-3.8	121.0	-3.1
	2024	0.9	0.8	1.3	1.5	1.2	1.7	1.7	2.1	5.6	-3.9	120.5	-2.8
China	2022	3	2.8	-	4.5	-	-	2.0	3.0	-	-8.9	76.9	1.6
	2023	5.5	5.1	-	5.2	-	-	2.2	5.0	-	-7.2	84.1	1.0
	2024	5.2	5.5	-	5.5	-	-	2.5	5.5	-	-7.5	89.8	0.8
UK	2022	4.2	-	-	-	-	-	8.9	-	3.8	-	-	-
	2023	-0.7	-	-	-	-	-	6.2	-	4.4	-	-	-
	2024	0.8	-	-	-	-	-	2.6	-	5.0	-	-	-
Japan	2022	1.4	3.0	1.6	-0.8	4.7	8.0	2.2	-	2.6	-	-	-
	2023	0.7	0.9	0.6	1.3	2.5	3.2	2.4	-	2.8	-	-	-
	2024	0.9	0.8	0.5	0.6	1.5	0.5	1.4	-	2.8	-	-	-

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 interest rate	3m interest rate	2-yr swap yield	10-yr swap yield	Currency vs EUR	Currency vs USD	Currency vs DKK	Currency vs NOK	Currency vs SEK
USD	10-Feb	4.75	4.86	4.80	3.69	107.0	-	695.5	1018.4	1040.9
	+3m	5.25	5.40	5.20	4.05	107.0	-	695.3	972.0	1056.1
	+6m	5.25	5.40	5.10	4.05	105.0	-	709.0	971.4	1085.7
	+12m	5.25	5.24	4.80	3.65	103.0	-	723.3	980.6	1068.0
EUR	10-Feb	2.50	2.62	3.38	2.90	-	107.0	744.5	1090.1	1114.2
	+3m	3.00	3.36	3.35	3.00	-	107.0	744.0	1040.0	1130.0
	+6m	3.25	3.41	3.20	2.85	-	105.0	744.5	1020.0	1140.0
	+12m	3.25	3.39	2.90	2.55	-	103.0	745.0	1010.0	1100.0
JPY	10-Feb	-0.10	-0.03	#N/A	#N/A	120.5	131.0	6.18	9.05	9.25
	+3m	-0.10	-	-	-	133.8	125.0	5.56	7.78	8.45
	+6m	-0.10	-	-	-	131.3	125.0	5.67	7.77	8.69
	+12m	-0.10	-	-	-	128.8	125.0	5.79	7.84	8.54
GBP*	10-Feb	4.00	-	4.10	3.43	88.4	121.1	842.4	1233.5	1260.7
	+3m	4.25	-	4.20	3.50	87.0	123.0	855.2	1195.4	1298.9
	+6m	4.25	-	4.20	3.50	85.0	123.5	875.9	1200.0	1341.2
	+12m	4.25	-	4.00	3.30	85.0	121.2	876.5	1188.2	1294.1
CHF*	10-Feb	1.00	-	1.54	1.80	98.8	92.3	753.5	1103.4	1127.7
	+3m	1.25	-	-	-	100.0	93.5	744.0	1040.0	1130.0
	+6m	1.25	-	-	-	99.0	94.3	752.0	1030.3	1151.5
	+12m	1.25	-	-	-	99.0	96.1	752.5	1020.2	1111.1
DKK	10-Feb	2.10	2.82	3.49	3.00	744.46	695.48	-	146.43	149.66
	+3m	2.65	3.45	3.50	3.15	744.00	695.33	-	139.78	151.88
	+6m	2.90	3.50	3.35	3.00	744.50	709.05	-	137.00	153.12
	+12m	2.90	3.50	3.05	2.70	745.00	723.30	-	135.57	147.65
SEK	10-Feb	2.50	3.16	3.42	2.86	1114.2	1040.9	66.8	97.8	100.0
	+3m	3.25	3.05	3.35	2.95	1130.0	1056.1	65.8	92.0	-
	+6m	3.25	3.10	3.15	2.85	1140.0	1085.7	65.3	89.5	-
	+12m	3.25	3.10	2.85	2.55	1100.0	1068.0	67.7	91.8	-
NOK	10-Feb	2.75	3.17	3.54	3.14	1090.1	1018.4	68.3	100.0	102.2
	+3m	2.75	2.95	3.45	3.15	1040.0	972.0	71.5	-	108.7
	+6m	2.75	2.95	3.20	2.80	1020.0	971.4	73.0	-	111.8
	+12m	2.50	2.95	3.05	2.70	1010.0	980.6	73.8	-	108.9

*Notes: GBP swaps are SONIA and CHF swaps are SHARON.

We have updated our Norges Bank forecasts after yesterday's Norges Bank meeting but not yet our Norwegian yield outlook

Commodities												
		2022				2023				Average		
	10-Feb	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2022	2023	
ICE Brent	86	98	112	105	100	95	95	95	95	104	95	

Source Danske Bank

Disclosures

This research report has been prepared by Danske Bank A/S ('Danske Bank'). The author of this research report is Allan von Mehren, Chief Analyst.

Analyst certification

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

Regulation

Danske Bank is authorised and regulated by the Danish Financial Services Authority (Finanstilsynet). Danske Bank is authorised by the Prudential Regulation Authority in the UK and subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details about the extent of our regulation by the Prudential Regulation Authority are available from us on request.

Danske Bank's research reports are prepared in accordance with the recommendations of Capital Market Denmark.

Conflicts of interest

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

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

Danske Bank is a market maker and liquidity provider and may hold positions in the financial instruments mentioned in this research report.

Danske Bank, its affiliates and subsidiaries are engaged in commercial banking, securities underwriting, dealing, trading, brokerage, investment management, investment banking, custody and other financial services activities, may be a lender to the companies mentioned in this publication and have whatever rights are available to a creditor under applicable law and the applicable loan and credit agreements. At any time, Danske Bank, its affiliates and subsidiaries may have credit or other information regarding the companies mentioned in this publication that is not available to or may not be used by the personnel responsible for the preparation of this report, which might affect the analysis and opinions expressed in this research report.

Financial models and/or methodology used in this research report

Calculations and presentations in this research report are based on standard econometric tools and methodology as well as publicly available statistics for each individual fixed income asset.

We base our conclusion on an estimation of the financial risk profile of the financial asset. By combining these risk profiles with market technical and financial asset-specific issues such as rating, supply and demand factors, macro factors, regulation, curve structure, etc., we arrive at an overall view and risk profile for the specific financial asset. We compare the financial asset to those of peers with similar risk profiles and on this background, we estimate whether the specific financial asset is attractively priced in the specific market. We express these views through buy and sell recommendations. These signal our opinion about the financial asset's performance potential in the coming three to six months.

More information about the valuation and/or methodology and the underlying assumptions is accessible via <https://danskeci.com/ci/research/research-disclaimer>. Select *Fixed Income Research Methodology*.

Risk warning

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

Completion and first dissemination

The completion date and time in this research report mean the date and time when the author hands over the final version of the research report to Danske Bank's editing function for legal review and editing.

The date and time of first dissemination mean the date and estimated time of the first dissemination of this research report. The estimated time may deviate up to 15 minutes from the effective dissemination time due to technical limitations.

See the final page of this research report for the date and time of completion and first dissemination.

Validity time period

This communication as well as the communications in the list referred to below are valid until the earlier of (a) dissemination of a superseding communication by the author, or (b) significant changes in circumstances following its dissemination, including events relating to the market or the issuer, which can influence the price of the issuer or financial instrument.

Investment recommendations disseminated in the preceding 12-month period

A list of previous investment recommendations disseminated by the lead analyst(s) of this research report in the preceding 12-month period can be found at <https://danskeci.com/ci/research/research-disclaimer>. Select *Fixed Income Trade Recommendation History*

Other previous investment recommendations disseminated by Danske Bank are also available in the database.

See <https://danskeci.com/ci/research/research-disclaimer> for further disclosures and information.

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

This research report has been prepared independently and solely on the basis of publicly available information that Danske Bank A/S considers to be reliable but Danske Bank A/S has not independently verified the contents hereof. While reasonable care has been taken to ensure that its contents are not untrue or misleading, no representation or warranty, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or reasonableness of the information, opinions and projections contained in this research report and Danske Bank A/S, its affiliates and subsidiaries accept no liability whatsoever for any direct or consequential loss, including without limitation any loss of profits, arising from reliance on this research report.

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

This research report is not intended for, and may not be redistributed to, retail customers in the United Kingdom (see separate disclaimer below) and retail customers in the European Economic Area as defined by Directive 2014/65/EU.

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

Disclaimer related to distribution in the United States

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

Danske Bank A/S is not subject to U.S. rules with regard to the preparation of research reports and the independence of research analysts. In addition, the research analysts of Danske Bank A/S who have prepared this research report are not registered or qualified as research analysts with the New York Stock Exchange or Financial Industry Regulatory Authority but satisfy the applicable requirements of a non-U.S. jurisdiction.

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

Disclaimer related to distribution in the United Kingdom

In the United Kingdom, this document is for distribution only to (I) persons who have professional experience in matters relating to investments falling within article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the 'Order'); (II) high net worth entities falling within article 49(2)(a) to (d) of the Order; or (III) persons who are an elective professional client or a per se professional client under Chapter 3 of the FCA Conduct of Business Sourcebook (all such persons together being referred to as 'Relevant Persons'). In the United Kingdom, this document is directed only at Relevant Persons, and other persons should not act or rely on this document or any of its contents.

Disclaimer related to distribution in the European Economic Area

This document is being distributed to and is directed only at persons in member states of the European Economic Area ('EEA') who are 'Qualified Investors' within the meaning of Article 2(c) of the Prospectus Regulation (Regulation (EU) 2017/1129) ('Qualified Investors'). Any person in the EEA who receives this document will be deemed to have represented and agreed that it is a Qualified Investor. Any such recipient will also be deemed to have represented and agreed that it has not received this document on behalf of persons in the EEA other than Qualified Investors or persons in the UK and member states (where equivalent legislation exists) for whom the investor has authority to make decisions on a wholly discretionary basis. Danske Bank A/S will rely on the truth and accuracy of the foregoing representations and agreements. Any person in the EEA who is not a Qualified Investor should not act or rely on this document or any of its contents.

Report completed: 10 February 2023, 13:00 CET

Report first disseminated: 10 February 2023, 13:15 CET