

# Weekly Focus

## Surfing the strong global business cycle

### Market Movers ahead

- In the US, industrial production for September is due out. The first two months of Q3 have been on the weak side.
- Bank of England Governor Mark Carney, Deputy Governor Sir David Ramsden and MPC member Silvana Tenreyro are due to testify before the UK’s Treasury Committee on Tuesday. We will look for any hints on whether they have changed their minds on a November hike.
- It will be an interesting week in China, as the 19<sup>th</sup> Congress of the Communist Party begins on Wednesday. On the data front, we look for a small decline in GDP growth.
- In Denmark and Sweden, we expect September data releases on employment.

### Global macro and market themes

- Global central bankers have been busy on the news wires. However, new research indicates that the accuracy of forecasting of financial and macroeconomic variables has not improved.
- The market will focus on what ‘QE path’ the ECB will choose on 26 October when the bulk of its decisions regarding the future of the QE programme are due to be disclosed.
- It seems that two ‘paths’ are on the table: either an extension for six months of EUR40bn a month in purchases or purchases for nine or 12 months of just EUR20-30bn a month.
- We believe for now in the first ‘path’ but acknowledge that the purchase constraints that make it increasingly difficult for the ECB to buy according to the ‘Capital Key’ makes a ‘longer’ but smaller monthly amount ‘path’ more likely.

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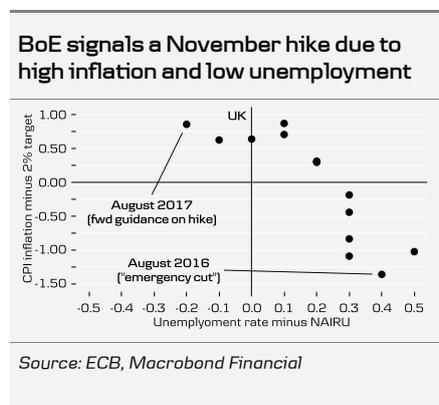
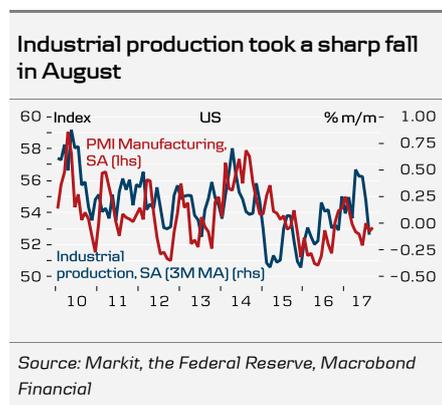
Financial views			
Major indices			
	13-Oct	3M	12M
10yr EUR swap	0.88	0.95	1.20
EUR/USD	118	119	125
ICE Brent oil	57	53	61
	13-Oct	6M	12-24M
S&P500	2551	5-10%	10-15%

Source: Danske Bank

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 **VIDEO**  
Allan von Mehren on the Chinese Party Congress



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# Market movers

## Global

- In the **US**, there is just one data release with a significant market impact next week, which is industrial production for September, due to be released on Tuesday. With the September print, we will get a full picture of industrial production in Q3. The first two months have been on the weak side and based on these, industrial production points to GDP growth in the region of 2.3% q/q AR in Q3. However, this is well in line with our overall estimate of the current economic activity. The current large gap between ISM and PMI manufacturing makes it difficult to use these as guidelines for industrial production. However, PMI has been the best predictor over the past three months and currently indicates that the relatively muted growth in industrial production continued in September. Remember, however, that the effect of the hurricanes in August and September makes uncertainty particularly high for this release.

The coming week also brings several speeches by FOMC members, including Fed Chair Janet Yellen, who is due to speak on Sunday.

- In the **euro area**, we are facing a rather thin week in terms of market movers. The most interesting data release are the final HICP figures for September, due on Tuesday. We do not expect any changes from the preliminary release with regard to headline and core inflation, which reported a decline to 1.1% y/y. However, it will be interesting to see which components caused the fall in service price inflation and whether they point towards any sustained upwards or downwards trend in core inflation, which will be important for ECB policy normalisation going forward.
- In the **UK**, we think the CPI inflation print for September and the jobs report for August are the two most important releases ahead of the Bank of England (BoE) meeting next month. Our view is that the releases should not alter the BoE members' views on the economy significantly and hence we still expect a 25bp Bank Rate hike next month. Markets have priced in a 60% probability of a rate hike. Retail sales for September are due on Thursday, which is an indicator that usually moves markets but in reality is a very weak indicator of actual consumption growth.

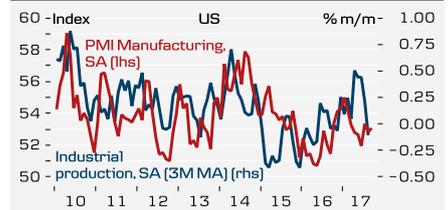
The BoE's Mark Carney, David Ramsden and Silvana Teneyro are testifying before the UK's Treasury Committee on Tuesday. We will look for any hints on whether they have changed their minds on a November hike.

We think the EU leaders are unlikely to conclude there has been 'sufficient progress' in phase 1 of the Brexit negotiations (divorce bill, citizens' rights and Irish border) to move to phase 2 (future relationship) at the EU summit next week. More negotiation rounds will be needed in November and early December.

- It will be a very interesting week in **China**, as the 19<sup>th</sup> Congress of the Communist Party begins on Wednesday 18 October. See *Research: Why the Party Congress is key for China's road ahead*, 3 October 2017. The top leadership (the Standing Committee of the Politburo) will see a big reshuffle as five out of seven members are likely to be exchanged as they fall for the informal age limit. The Congress will also reveal how much President Xi Jinping will strengthen his power and is likely to give a signal of a deepened reform focus.

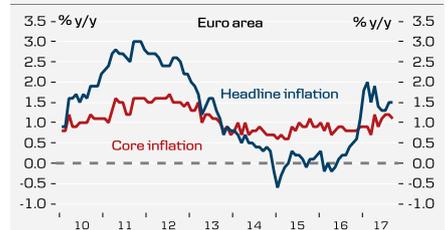
On the data front, it is also a busy week in China with GDP for Q3, industrial production, fixed asset investments and CPI/PPI. We look for a small decline in GDP growth to 6.8% y/y from 6.9% in Q2. We look for GDP to slow further over the coming

### Industrial production took a sharp fall in August



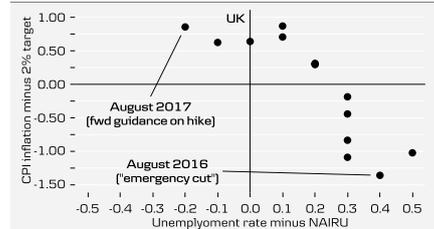
Source: Markit, Fed and Macrobond Financial

### Core inflation declined in September



Source: Eurostat, Macrobond Financial

### BoE signals a November hike due to high inflation and low unemployment



Source: ONS, Bank of England, Danske Bank, Macrobond Financial

### Chinese GDP growth for Q3 expected to drop to 6.8% from 6.9%



Source: Macrobond Financial, PBoC, Danske Bank

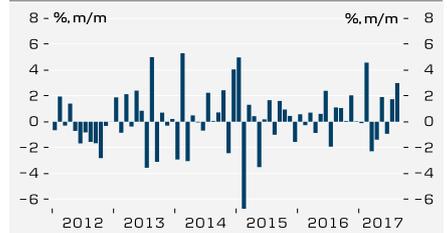
quarters. CPI inflation is estimated to drop to 1.6% y/y in September from 1.8% y/y in August – still far below the 3% target.

- In **Japan**, September exports are due on Thursday. Following a weak Q2, exports rebounded in the months after and look to have returned as a key growth driver in Q3. The Reuters manufacturing Tankan survey for October is due out on Tuesday, which tracks the larger quarterly Bank of Japan Tankan survey quite closely. Reuters manufacturing Tankan decreased slightly in September and it will be interesting to see if the indicator continues to point to slowing momentum in Q3.

### Scandi

- In **Denmark**, the week ahead is a quiet one, with the only significant news coming on Friday when the statistical office publishes figures for retail sales in September and employment in August. Employment fell rather unexpectedly in July for the first time since 2013. We reckon this was just a small bump in the road but it will be interesting to see what happens. Data for Q3 has otherwise not been that good to date.
- The September labour force survey in **Sweden** (LFS) is the only data of importance next week. The decline in the unemployment rate has been slowing recently but for a positive reason, i.e. a strong inflow of job seekers that the economy is unable to absorb. Still, there is a very strong trend growth in employment above 2%, actually quite close to what was seen ahead of the financial crisis and during the rebound after it. Structural measures such as employment and participation ratios are both at secular highs, implying that a growing share of the working population are either finding a job or are looking for it. We estimate a continuation of these trends in September.
- In **Norway**, Norges Bank is due to publish the results of a telephone survey of its regional network, which could be the final cross check before the rate-setting meeting the week after. Although data at the margin has been slightly weaker than expected since the bank's September meeting, we do not expect the network to report any major changes to the outlook since the last full survey in August. Employer organisation NHO's expectations survey, which is broad-based in terms of both sectors and regions, suggests that growth is actually accelerating. Statistics Norway will also release manufacturing confidence data for Q3. Following the surprise dip in the PMI in September and sharp fall in actual industrial production in August, this will give us a clearer idea of whether that was just noise. If the overall indicator rises or at least stabilises, this would reduce the risk of a slowdown in manufacturing activity – and so the Norwegian economy as a whole – as indicated by manufacturing data to date.

### Japanese exports rebounded in Q3



Note: Measured in volumes  
Source: Bank of Japan, Macrobond Financial

### Employment fell for first time in four years in July



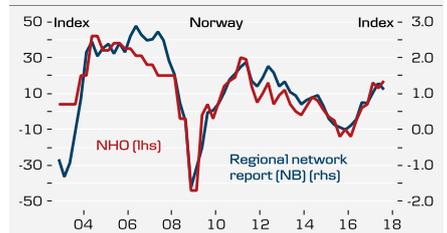
Source: Statistics Denmark, Macrobond Financial

### Strong employment growth



Source: Statistics Sweden

### Small risk of negative signals



Source: Macrobond Financial, Danske Bank

Market movers ahead

Global movers		Event		Period	Danske	Consensus	Previous		
During the week		Sun 15	USD	Fed Chair Yellen (neutral) speaks					
Mon	16-Oct	3:30	CNY	CPI	y/y	Sep	1.6%	1.6%	1.8%
		3:30	CNY	PPI	y/y	Sep		6.4%	6.3%
Tue	17-Oct	1:00	JPY	Tankan Manufacturing Survey	Index	Oct			
		10:15	GBP	BoE's Carney, Ramsden & Tenreyro hearing					
		10:30	GBP	CPI	m/m y/y	Sep		0.3% 3.0%	0.6% 2.9%
		11:00	EUR	HICP inflation, final	m/m y/y	Sep	0.3% 1.5%	0.4% 1.8%	0.3% 1.5%
		15:15	USD	Industrial production	m/m	Sep		0.3%	-0.9%
Wed	18-Oct	-	CNY	China's Communist party congress begins					
		10:30	GBP	Unemployment rate (3M)	%	Aug		4.3%	4.3%
Thurs	19-Oct	1:50	JPY	Exports	y/y [%]	Sep		0.2	0.2
		4:00	CNY	Real GDP	q/q y/y	3rd quarter	1.7% 6.8%	1.7% 6.8%	1.7% 6.9%
		4:00	CNY	Industrial production	y/y	Sep		6.4%	6.0%
		4:00	CNY	Retail sales	y/y	Sep		10.2%	10.1%
		10:30	GBP	Retail sales ex fuels	m/m y/y	Sep		-0.3% 2.2%	1.0% 2.8%
Fri	20-Oct								

Source: Bloomberg, Danske Bank Markets

# Global Macro and Market Themes

## All eyes on the 'talking heads'

### The art of Kremlinology

This week has been full of speeches from global central banks. According to Bloomberg alone, 14 speeches from the ECB and 17 speeches from Fed members were scheduled. On top of this we had FOMC minutes. The reasons are that the important 26 October ECB meeting, where the board has promised to outline the future for the ECB QE programme, is drawing closer; the Fed is widely discussing balance sheet reduction and low inflation versus a low unemployment rate and, not least, that we have the annual IMF meeting in Washington this week.

However, there is still plenty of information for central bank watchers to scrutinise. Central bank watching is sometimes referred to as the new art of 'Kremlinology', a term applied to Western analysts during the cold war who were trying to figure out what was really going on behind closed doors at the Kremlin. Even small changes in wording, the removal of certain people from the public and the way articles were arranged in *Pravda* were scrutinised. The question is whether these signals were intentional and indeed they were probably often misinterpreted by analysts.

### Forecasting capabilities have not improved

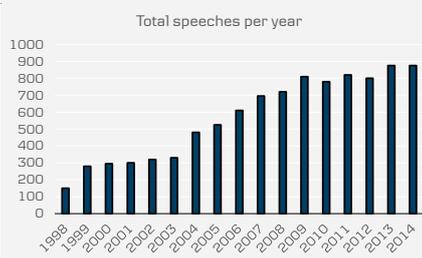
The uncertainty is how much value we can actually derive from central bank watching. It has been best practice among central banks for years to provide information about monetary policy in order to increase its effectiveness.

However, what about the art of forecasting financial and macroeconomic variables? In a *working paper* from the Swiss National Bank (SNB), the authors Thomas Lustenberger and Enzo Rossi argue, based on a large sample of data, that increased central bank communication does not improve the accuracy of private forecasts. Furthermore, they argue that more frequent communication increases both forecast errors and their dispersion. So, perhaps 'speech is silver, silence is golden' when it comes to forecasting on the back of central bank speeches.

### Key points

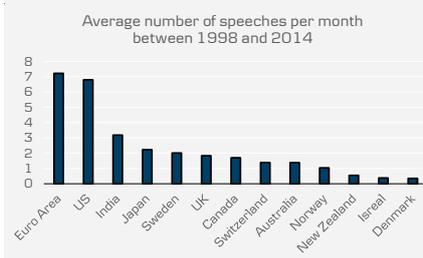
- Global central bankers are busy on the news wires but new research indicates that the accuracy of forecasting financial and macroeconomic variables has not improved.
- Market to focus on what 'QE path' the ECB will choose on 26 October, when it is due to reveal the bulk of its decisions regarding the future of the QE programme.
- It seems that two 'paths' are on the table. Either an extension for six months with EUR40bn a month in purchases or purchases for nine/12 months but only EUR20bn or EUR30bn a month.
- We believe for now in the first 'path' but acknowledge that the purchase constraints that make it more and more difficult for the ECB to buy according to the 'Capital Key' makes a 'longer, but smaller' monthly amount 'path' more likely.

#### Central bankers often on the wires...



Source: SNB working paper

#### ...but some are more active than others



Source: SNB working paper

## But we still keep an eye on ECB and Fed speeches

With these academic findings in mind, we should probably end this document here. However, we stick to our Kremlinology business and give our interpretation of the latest communication from the ECB and the Fed.

If we start with the ECB, it seems that at the forefront of the discussion is not so much whether the QE programme should be extended into 2018 but rather what the ECB thinks is the most appropriate way to move forward when the Governing Council makes the bulk of its decisions regarding the future of the QE programme at its 26 October meeting.

In the minutes from the 6-7 September ECB meeting, the ECB said ‘within the framework of the Governing Council’s forward guidance, the benefits from a longer intended purchase horizon, combined with a greater reduction in the pace, were compared with those from a shorter period of purchases and larger monthly volumes’.

It appears there are two options now on the table: either an extension for six months, with EUR40bn a month in purchases or purchases for nine/12 months but at only EUR20bn or EUR30bn a month. It is also noteworthy that the ECB minutes state that ‘the monetary policy stance would remain highly accommodative in either scenario on account of the range of policy instruments in place, most notably the reinvestment of the principal of maturing securities, the liquidity related to the targeted longer term refinancing operations, and the forward guidance on the ECB’s key policy rates’.

In particular, the discussion regarding the reinvestment flows, which could be as high as EUR15-20bn a month in 2018, is attracting increasingly more attention. It is likely the reinvestment flows will be an important part of the exit discussion that the ECB will, in our view, try to sell as a very ‘soft exit’.

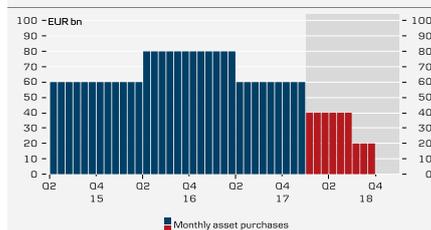
We plan to publish an in-depth ECB preview ahead of the 26 October meeting but for now we stick with the view that the ECB will announce a six-month extension with a monthly pace of EUR40bn. We expect a ‘small’ three-month EUR20bn extension after that. That said, the purchase constraints that make it more and more difficult for the ECB to buy according to the ‘Capital Key’ in the low-debt countries make a ‘more months but smaller monthly amount path’ more likely.

## Fed: on track for a December hike

In respect to the Fed, it also released minutes this week. Here, we already know the different positions among the FOMC members. The most dovish FOMC members (Lael Brainard, Charles L. Evans and Neel Kashkari) argued that the Fed should not hike further this year, as low inflation may not be just transitory due to low inflation expectations and labour market slack. The core FOMC members on the other hand think it is appropriate to tighten monetary policy further, as above-trend growth tightens the labour market further, which eventually leads to higher wage growth and hence higher inflation; in other words, they still have a strong belief in the Phillips curve. In our view, they are likely to feel relieved about the latest average hourly earnings figures, which came out much higher than expected in September.

All in all, it remains our base case that the Fed will hike in December, as the core voting FOMC members put more weight on labour market data than current inflation data, although we agree with the dovish camp that low inflation may not be temporary due to low inflation expectations. For more, see *FOMC minutes: Core members still want to hike in December*, 11 October.

### What QE profile will the ECB favour in 2018?



Source: , Danske Bank forecasts, Macrobond Financial

**Global market views**

Asset class	Main factors
<b>Equities</b> Positive on equities	We are positive on equities, as we think the global business cycle is still strong, risks are low and central banks are tightening monetary policy only gradually.
<b>Bond market</b> German/Scandi yields - set to stay in recent range for now, higher on 12M horizon EU curve - 2Y10Y set to steepen when long yields rise again US-euro spread set to widen marginally Peripheral spreads - tightening but still some factors to watch	Inflation set to stay subdued despite decent growth. Stronger euro keeps euro inflation outlook down. ECB to normalise gradually only, due to lack of wage pressure and stronger euro. Focus on possible tapering but this is more of a 2018 story. The ECB keeps a tight leash on the short end of the curve. With 10Y yields stable, the curve should change little on a 3-6M horizon. Risk is skewed towards a steeper curve earlier than we forecast. The Fed's QT programme (balance sheet reduction) is set to happen at a very gradual pace and the affect on the Treasury market should be benign. Yet, market pricing for Fed hikes is relatively dovish and yields should edge higher on a 12M horizon. We expect economic recovery, ECB stimuli, better fundamentals, particularly in Portugal and Spain, an improved political picture and rating upgrades to lead to further tightening despite the recent strong moves. Italy is the big risk factor but very expensive to be short Italian bonds. The focus on Catalonia and its call for independence is a risk for Spanish government bonds.
<b>FX</b> EUR/USD - consolidating near term but upside risks in 2018 EUR/GBP - upside risks remain but GBP to strengthen eventually USD/JPY - gradually higher longer term but challenged near term EUR/SEK - consolidation near term, gradually lower further out EUR/NOK - upside risks in Q4, then gradually lower	EUR/USD has turned for good, as the ECB has reluctantly allowed 'reverse gravity' to kick in but upward momentum should wear off near term. Upside risks dominate in 2018. Deteriorating growth prospects and Brexit mess to keep EUR/GBP afloat near term. Downward move on Brexit clarification and valuation further out. Policy normalisation at the Fed and eventually at the ECB, while the Bank of Japan is staying dovish, means support for EUR/JPY and USD/JPY alike throughout our forecast Gradually lower in the longer term on fundamentals but near term further SEK potential is limited by a cautious Riksbank. NOK headwinds near term due to positioning, oil price and rates potential but longer term we expect the NOK to rebound on valuation, growth and real-rate differentials.
<b>Commodities</b> Oil price - range trading Metal prices - to fall back Gold price - range-bound Agricultural - trending higher	Speculation about deeper output cut from Saudi Arabia. Geopolitical risks looming in the background. Ignoring strong PMIs. Sentiment is turning negative again, as China is set to slow again after National Congress. Tug of war between safe-haven demand from rising global geopolitical tensions and negative impact of hawkish Federal Reserve. Weather-related supply concerns supporting prices.

Source: Danske Bank

# Scandi Update

## Denmark – inflation up further in September

Inflation remained surprisingly strong in September, climbing another tenth of a point to 1.6%, due mainly to higher prices for ladies’ fashion following the summer sales but also to higher food prices. The week also brought figures showing that exports of goods were more or less unchanged in August, so the sluggish growth from H1 would appear to have continued into Q3. This is surprising given the strong growth we are seeing in Danish export markets, although part of the explanation can be found in a drop in energy exports this year. Finally, the week’s unemployment data for August showed a decrease of 2,600 people, taking the jobless rate down to 4.4%.

## Sweden – inflation and property price tide turning?

September inflation may be the watershed we have been waiting for. Regardless of which measure you look at (CPI, CPIF or CPIF excluding Energy), it appears that the peak has been passed. The target variable CPIF turned out a tenth below the Riksbank’s forecast contrary to our expectations of a figure a tenth above. The ‘surprise’ was broad-based with no particular price component standing out. Looking forward, we see all measures at or slightly below the Riksbank’s forecast for the next six-nine months and then considerably below. This will be a challenge for the Riksbank’s repo rate forecast, which assumes hikes in Q3 18, but even more so for market pricing, which is slightly more aggressive than the Riksbank.

Over the past week, we have seen several property developers jumping off the condo bandwagon as demand for their high-priced flats has vanished. Instead, produced residential properties will be turned into rentals (likely to be very expensive). Anecdotal evidence from websites such as Booli and Hemnet suggests that property supply in September was the highest on record and prices are said to have dropped. This is not yet visible in data as there are some lags. As yet, it is hard to estimate the size of the price correction but it seems highly likely that there is one occurring right now.

## Norway – budget as expected but talks remain

The government’s proposed budget for 2018 equates to a fiscal stimulus of 0.1% of GDP, which is much tighter than this year and signals that the growth contribution from government consumption will be smaller. This is in keeping with our own forecasts and also entirely in line with the projections in Norges Bank’s September monetary policy report. In theory, this means that one of the upside risks to our estimates – more expansionary fiscal policy – has now been eliminated. On the other hand, the government still needs to get the budget through parliament, which will require support from both the Christian Democrats and the Liberal Party. While there could easily be some drift during the budget negotiations, this is unlikely to be enough to affect the outlook for interest and exchange rates.

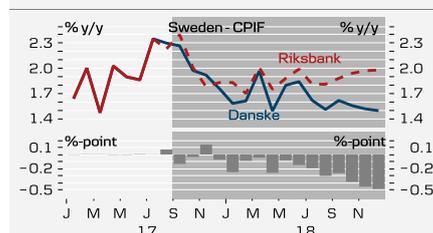
Otherwise, core inflation came out lower than expected for another month, again due partly to food prices. After their sharp fall in August, we had expected a substantial rebound in September but it was smaller than anticipated. Competition in the grocery sector is clearly fierce but we are also seeing profitability coming under pressure, which means that prices will have to correct at some point. We still expect core inflation to push up during the course of next year unless the krone strengthens considerably more than we envisage.

### Inflation still high



Source: Statistics Denmark

### CPIF inflation trend turning down



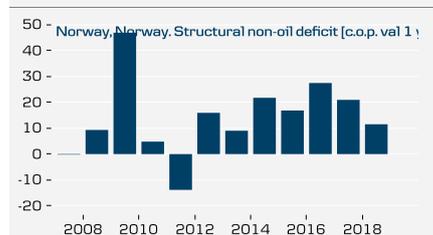
Source: Riksbank, Danske Bank

### What will be the biggest headache?



Source: Statistics Sweden, KTH Valueguard

### Tightest budget for five years



Source: Norwegian Ministry of Finance, Danske Bank

## Latest research from Danske Bank Markets

### *13/10 China outlook: Moderate slowdown and CNY stabilisation*

We look for a moderate slowdown in China over the next year due to financial tightening and measures to cool housing.

### *11/10 FOMC minutes: Core members still want to hike in December*

In our view, there was nothing new of great importance in the FOMC minutes, as we already know the different positions among the FOMC members.

## Macroeconomic forecast

### Macro forecast, Scandinavia

	Year	GDP <sup>1</sup>	Private cons. <sup>1</sup>	Public cons. <sup>1</sup>	Fixed inv. <sup>1</sup>	Stock build. <sup>2</sup>	Ex-ports <sup>1</sup>	Im-ports <sup>1</sup>	Infla-tion <sup>1</sup>	Unem-ploym. <sup>3</sup>	Public budget <sup>4</sup>	Public debt <sup>4</sup>	Current acc. <sup>4</sup>
Denmark	2016	1.7	2.1	0.4	5.6	-0.2	2.5	3.5	0.3	4.2	-0.6	37.7	7.3
	2017	2.4	1.9	1.0	2.6	0.1	5.0	4.7	1.1	4.4	-0.9	35.6	8.3
	2018	2.0	2.3	0.5	4.3	0.0	2.8	3.6	1.1	4.3	-0.7	34.4	7.8
Sweden	2016	3.1	2.1	3.0	5.2	0.0	2.9	2.9	1.0	6.9	0.9	42.3	1.1
	2017	3.1	2.3	0.6	8.0	0.0	3.4	5.0	1.9	6.7	0.3	39.5	4.8
	2018	2.0	1.4	1.6	3.1	0.0	3.3	3.3	1.7	6.6	0.0	39.3	5.2
Norway	2016	1.0	1.5	2.1	-0.2	1.4	-1.8	2.3	3.6	3.0	-	-	-
	2017	2.0	2.5	1.8	3.6	0.2	1.0	4.5	2.0	2.7	-	-	-
	2018	2.3	2.4	2.1	2.0	-0.1	1.5	0.7	1.6	2.5	-	-	-

### Macro forecast, Euroland

	Year	GDP <sup>1</sup>	Private cons. <sup>1</sup>	Public cons. <sup>1</sup>	Fixed inv. <sup>1</sup>	Stock build. <sup>2</sup>	Ex-ports <sup>1</sup>	Im-ports <sup>1</sup>	Infla-tion <sup>1</sup>	Unem-ploym. <sup>3</sup>	Public budget <sup>4</sup>	Public debt <sup>4</sup>	Current acc. <sup>4</sup>
Euroland	2016	1.8	2.1	1.7	4.3	-	3.2	4.6	0.2	10.0	-1.5	89.2	3.4
	2017	2.1	1.7	1.2	2.7	-	4.5	4.0	1.5	9.1	-1.4	88.8	3.0
	2018	1.5	1.3	1.2	3.8	-	3.3	4.0	1.1	8.5	-1.3	88.5	2.9
Germany	2016	1.8	1.9	4.0	2.0	-	2.4	3.7	0.4	4.2	0.8	68.3	8.5
	2017	2.1	2.1	1.6	4.2	-	4.0	4.8	1.7	3.8	0.5	65.8	8.0
	2018	1.7	1.6	1.9	4.3	-	3.3	5.1	1.4	3.8	0.3	63.3	7.6
France	2016	1.1	2.1	1.2	2.7	-	1.9	4.2	0.3	10.0	-3.4	96.0	-2.3
	2017	1.6	1.0	1.2	3.3	-	2.9	3.8	1.1	9.5	-3.0	96.4	-2.4
	2018	1.2	1.0	1.1	3.0	-	3.3	3.6	1.1	9.4	-3.2	96.7	-2.5
Italy	2016	1.1	1.5	0.5	3.0	-	2.6	3.3	-0.1	11.7	-2.4	132.6	2.6
	2017	1.4	1.4	0.8	2.1	-	4.6	5.6	1.4	11.3	-2.1	133.1	1.9
	2018	1.3	1.1	0.6	3.7	-	2.7	3.7	1.1	10.8	-2.2	132.5	1.7
Spain	2016	3.3	3.0	0.8	3.3	-	4.8	2.7	-0.3	19.6	-4.5	99.4	1.9
	2017	3.0	2.6	1.0	4.5	-	5.6	4.6	2.0	17.3	-3.1	99.2	1.6
	2018	2.1	2.3	1.1	3.9	-	3.2	4.4	1.0	16.0	-2.5	98.5	1.6
Finland	2016	1.9	1.8	1.2	7.2	-	1.3	4.4	0.4	8.8	-1.9	63.1	-1.4
	2017	2.8	2.0	-0.2	8.5	-	8.0	5.0	0.7	8.5	-2.1	63.0	-0.4
	2018	1.8	1.5	0.2	3.0	-	4.0	3.0	1.1	8.0	-1.1	62.4	-0.4

### Macro forecast, Global

	Year	GDP <sup>1</sup>	Private cons. <sup>1</sup>	Public cons. <sup>1</sup>	Fixed inv. <sup>1</sup>	Stock build. <sup>2</sup>	Ex-ports <sup>1</sup>	Im-ports <sup>1</sup>	Infla-tion <sup>1</sup>	Unem-ploym. <sup>3</sup>	Public budget <sup>4</sup>	Public debt <sup>4</sup>	Current acc. <sup>4</sup>
USA	2016	1.5	2.7	0.8	0.7	-0.4	-0.3	1.3	1.3	4.9	-3.2	105	-2.4
	2017	2.1	2.6	0.0	4.1	-0.1	3.1	3.8	1.9	4.5	-2.9	106	-2.7
	2018	2.3	2.1	1.0	4.9	0.0	2.5	2.9	1.7	4.3	-2.7	107	-3.3
China	2016	6.7	-	-	-	-	-	-	2.0	4.1	-3.0	46.3	2.4
	2017	6.8	-	-	-	-	-	-	2.0	4.3	-3.3	49.9	2.1
	2018	6.3	-	-	-	-	-	-	2.0	4.3	-3.0	53.3	1.5
UK	2016	1.8	2.9	1.1	1.3	0.2	1.1	4.3	0.7	4.9	-3.0	89.3	-4.4
	2017	1.6	1.9	0.8	1.9	-0.1	3.0	2.9	2.5	4.6	-2.8	87.7	-4.9
	2018	1.2	1.2	0.4	1.2	0.0	2.8	2.0	2.4	4.8	-1.9	87.7	-3.3

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

# Financial forecast

Bond and money markets								
		Key int. rate	3m interest rate	2-yr swap yield	10-yr swap yield	Currency vs EUR	Currency vs USD	Currency vs DKK
USD	13-Oct	1.25	1.36	1.77	2.28	118.4	-	628.7
	+3m	1.50	1.55	1.75	2.35	119.0	-	625.2
	+6m	1.50	1.68	1.85	2.45	122.0	-	610.2
	+12m	1.75	1.92	2.25	2.70	125.0	-	595.6
EUR	13-Oct	0.00	-0.33	-0.18	0.88	-	118.4	744.4
	+3m	0.00	-0.33	-0.10	0.95	-	119.0	744.0
	+6m	0.00	-0.33	-0.05	1.05	-	122.0	744.5
	+12m	0.00	-0.33	0.00	1.20	-	125.0	744.5
JPY	13-Oct	-0.10	-0.04	0.04	0.26	132.6	112.0	5.62
	+3m	-0.10	-	-	-	135.7	114.0	5.48
	+6m	-0.10	-	-	-	141.5	116.0	5.26
	+12m	-0.10	-	-	-	145.0	116.0	5.13
GBP	13-Oct	0.25	0.37	0.83	1.41	89.0	133.0	836.4
	+3m	0.50	0.52	0.80	1.45	87.0	136.8	855.2
	+6m	0.50	0.53	0.90	1.55	86.0	141.9	865.7
	+12m	0.50	0.53	1.05	1.75	86.0	145.3	865.7
CHF	13-Oct	-0.75	-0.73	-0.53	0.29	115.4	97.5	644.9
	+3m	-0.75	-	-	-	115.0	96.6	647.0
	+6m	-0.75	-	-	-	118.0	96.7	630.9
	+12m	-0.75	-	-	-	123.0	98.4	605.3
DKK	13-Oct	0.05	-0.30	-0.04	1.08	744.4	628.7	-
	+3m	0.05	-0.30	0.10	1.20	744.0	625.2	-
	+6m	0.05	-0.30	0.15	1.30	744.5	610.2	-
	+12m	0.05	-0.30	0.20	1.45	744.5	595.6	-
SEK	13-Oct	-0.50	-0.52	-0.20	1.25	960.4	811.1	77.5
	+3m	-0.50	-0.45	-0.25	1.30	940.0	789.9	79.1
	+6m	-0.50	-0.45	-0.20	1.50	930.0	762.3	80.1
	+12m	-0.50	-0.45	-0.05	1.65	920.0	736.0	80.9
NOK	13-Oct	0.50	0.82	1.09	1.96	934.4	789.2	79.7
	+3m	0.50	0.80	1.10	1.95	950.0	798.3	78.3
	+6m	0.50	0.80	1.15	2.05	910.0	745.9	81.8
	+12m	0.50	0.80	1.25	2.30	900.0	720.0	82.7

Regional		Risk profile 3 mth	Price trend 3 mth	Price trend 12 mth	Regional recommendations
USA (USD)	Higher yields, USD stabilize	Medium	5-10%	10-15%	Underweight
Emerging markets (local ccy)	Hurt by stronger USD	Medium	-5-0%	-5-5%	Underweight
Japan (JPY)	Earnings and currency support	Medium	5-10%	10-15%	Overweight
Euro area (EUR)	Earnings, growth and currency support	Medium	0-5%	0-5%	Overweight
UK (GBP)	Currency support, Brexit looms	Medium	3-8%	5-10%	Neutral
Nordics (local ccy)	Earnings and currency support	Medium	3-8%	5-10%	Overweight

Commodities												
	13-Oct	2017				2018				Average		
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2017	2018	
NYMEX WTI	51	52	48	48	52	55	57	58	59	50	57	
ICE Brent	57	55	51	52	54	56	57	58	59	53	58	
Copper	6,887	5,855	5,670	6,383	6,250	6,250	6,250	6,100	6,100	6,040	6,175	
Zinc	3,250	2,789	2,580	2,961	2,900	2,800	2,700	2,600	2,500	2,808	2,650	
Nickel	11,395	10,321	9,230	10,594	10,000	10,500	10,750	11,000	11,000	10,036	10,813	
Aluminium	2,147	1,858	1,910	2,027	1,950	1,900	1,875	1,850	1,825	1,936	1,863	
Gold	1,297	1,219	1,260	1,279	1,250	1,250	1,250	1,250	1,250	1,252	1,250	
Matif Mill Wheat (€/t)	162	170	168	164	170	167	165	163	163	168	165	
Rapeseed (€/t)	368	415	375	368	380	380	380	380	375	384	379	
CBOT Wheat (USD/bushel)	431	429	435	455	475	500	510	520	530	449	515	
CBOT Soybeans (USD/bushel)	994	1,021	944	965	975	1,000	1,025	1,050	1,050	976	1,031	

Source: Danske Bank Markets

# Calendar

## Key Data and Events in Week 42

During the week			Period	Danske Bank	Consensus	Previous	
Sat 14	EUR	ECB's Lautenschlaeger speaks in Washington					
Sun 15	USD	Fed Chair Yellen (neutral) speaks					
Monday, October 16, 2017			Period	Danske Bank	Consensus	Previous	
3:30	CNY	CPI	y/y	Sep	<b>1.6%</b>	1.6%	1.8%
3:30	CNY	PPI	y/y	Sep		6.4%	6.3%
6:30	JPY	Industrial production, final	m/m y/y	Aug			2.1% 5.4%
8:00	NOK	Trade balance	NOK bn	Sep			12.4
11:00	EUR	Trade balance	EUR bn	Aug			18.6
14:30	USD	Empire Manufacturing PMI	Index	Oct		20.0	24.4
23:45	NZD	CPI	q/q y/y	3rd quarter		0.4% 1.8%	0.0% 1.7%
Tuesday, October 17, 2017			Period	Danske Bank	Consensus	Previous	
1:00	JPY	Tankan Manufacturing Survey	Index	Oct			
2:30	AUD	RBA October Meeting Minutes					
10:00	EUR	ECB's Constancio speaks in Lisbon					
10:15	GBP	BoE's Carney, Ramsden & Tenreyro hearing					
10:30	GBP	PPI - input	m/m y/y	Sep		1.4% 8.2%	1.6% 7.6%
10:30	GBP	CPI	m/m y/y	Sep		0.3% 3.0%	0.6% 2.9%
10:30	GBP	CPI core	y/y	Sep		2.7%	2.7%
11:00	EUR	HICP inflation, final	m/m y/y	Sep	<b>0.3% 1.5%</b>	0.4% 1.8%	0.3% 1.5%
11:00	EUR	HICP - core inflation, final	y/y	Sep	<b>1.1%</b>	1.1%	1.1%
11:00	DEM	ZEW current situation	Index	Oct		88.5	87.9
11:00	DEM	ZEW expectations	Index	Oct		20.0	17.0
14:30	USD	Import prices	m/m y/y	Sep		0.5% ...	0.6% 2.1%
15:15	USD	Capacity utilization	%	Sep		76.2%	76.1%
15:15	USD	Industrial production	m/m	Sep		0.3%	-0.9%
15:15	USD	Manufacturing production	m/m	Sep		0.2%	-0.3%
16:00	USD	NAHB Housing Market Index	Index	Oct		63.0	64.0
22:00	USD	TICS international capital flow, Net inflow	USD bn	Aug			-7.3
Wednesday, October 18, 2017			Period	Danske Bank	Consensus	Previous	
-	CNY	China's Communist party congress begins					
10:10	EUR	ECB's Draghi speaks in Frankfurt					
10:30	GBP	Unemployment rate (3M)	%	Aug		4.3%	4.3%
10:30	GBP	Average weekly earnings ex bonuses (3M)	y/y	Aug		2.0%	2.1%
13:45	EUR	ECB's Praet speaks in Frankfurt					
14:00	USD	Fed's Dudley (voter, neutral) speaks					
14:00	USD	Fed's Kaplan (voter, dovish) speaks					
14:30	USD	Building permits	1000 (m/m)	Sep		1230	1272.0 (3.4%)
14:30	USD	Housing starts	1000 (m/m)	Sep		1180	1180.0 (-0.8%)
16:15	EUR	ECB's Coeure speaks in Frankfurt					
16:30	USD	DOE U.S. crude oil inventories	K				

Source: Danske Bank Markets

## Calendar (continued)

Thursday, October 19, 2017			Period	Danske Bank	Consensus	Previous
-	EUR	EU summit in Brussels				
1:50	JPY	Exports	y/y (%)	Sep	0.2	0.2
1:50	JPY	Import	y/y (%)	Sep	0.1	0.2
1:50	JPY	Trade balance, s.a.	JPY bn	Sep	317.9	367.3
2:30	AUD	Employment change	1000	Sep	15	54.2
4:00	CNY	Real GDP	q/q y/y	3rd quarter	1.7% 6.8%	1.7% 6.9%
4:00	CNY	Industrial production	y/y	Sep	6.4%	6.0%
4:00	CNY	Retail sales	y/y	Sep	10.2%	10.1%
4:00	CNY	Fixed assets investments	y/y	Sep	7.7%	7.8%
9:30	SEK	Unemployment (n.s.a. s.a.)	%	Sep	5.9% 6.5%	6.0% 6.6%
10:30	GBP	Retail sales ex fuels	m m y/y	Sep	-0.3% 2.2%	1.0% 2.8%
14:30	USD	Philly Fed index	Index	Oct	20.5	23.8
14:30	USD	Initial jobless claims	1000			243
Friday, October 20, 2017			Period	Danske Bank	Consensus	Previous
-	EUR	Moody's may publish Germany's debt rating				
-	EUR	Fitch may publish Italy's debt rating				
-	EUR	Moody's may publish Spain's debt rating				
-	EUR	Moody's may publish Austria's debt rating				
-	EUR	Fitch may publish Cyprus's debt rating				
-	EUR	EU summit in Brussels				
8:00	NOK	Industrial confidence (SSB)	Net. bal.	3rd quarter		3.8
9:00	DKK	Employment (monthly)	1.000 m/m	Aug		2.697 0.1
9:00	DKK	Retail sales	m m y/y	Sep		-0.3% 0.3%
10:00	EUR	Current account	EUR bn	Aug		25.1
14:30	CAD	CPI	m m y/y	Sep		... 1.4%
14:30	CAD	Retail sales	m/m	Aug		0.4%
16:00	USD	Existing home sales	m (m/m)	Sep	5.3	5.35 -1.7%
20:00	USD	Fed's Mester (non-voter, hawkish) speaks				

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Source: Danske Bank Markets

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**Report completed:** 13 October 2017, 13:14 GMT

**Report first disseminated:** 13 October 2017, 13:30 GMT