

# Weekly Focus

## US jobs report may tell how close a Fed rate hike is

### Market movers ahead

- In the **US**, the most important data release next week is the jobs report for August on Friday. We estimate non-farm payrolls increased 175,000 in August in line with consensus. Our estimate is below the prints of the last two months, but still above the amount needed for slack to come down (estimated in the range of 75-150k).
- In the **euro area**, y/y inflation has ticked up every month since April and we expect this to continue in August as base effects will keep upward pressure on inflation.
- In **China**, we see a clear risk of a correction lower in the Caixin PMI manufacturing index which rose strongly in July. We estimate the index will fall to 49.8 (consensus 50.2) and thereby close the gap to the official PMI which was much more subdued in July.
- In **Scandinavia** we have a heavy data calendar next week. In Sweden KI will show their latest forecast for the Swedish economy, which could have quite strong repercussions on all Swedish fixed income markets, and maybe even on the Riksbank's future QE purchases. In Norway, we expect that Mainland GDP expanded 0.3% q/q in Q2.

### Global macro and market themes

- US economy on a firmer footing as financial conditions are more supportive and drag from low oil price is fading.
- The Fed is eyeing the next hike – job growth and global risks are key for the timing.
- Euro area resilient to Brexit – we have revised GDP growth higher.
- Stocks supported by low yields and fewer risks. Bond yields low for long, EUR/USD range bound.

### Focus

- We have changed our view and now expect the ECB to remain on hold at the meeting in September. See *ECB Preview: Still awaiting more information* (24 August)

### Contents

Market movers.....	2
Global Macro and Market Themes .....	5
Scandi update .....	8
Latest research from Danske Bank Markets .....	9
Macroeconomic forecast .....	10
Financial forecast .....	11
Calendar .....	12

### Financial views

Major indices			
	26-Aug	3M	12M
10yr EUR swap	0.27	0.35	0.70
EUR/USD	113	112	118
ICE Brent oil	50	49	54
	26-Aug	6M	12-24M
S&P500	2172	-3. +3%	0-5%

Source: Danske Bank

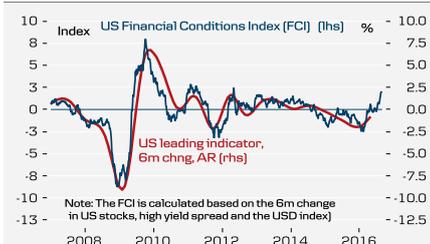
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### Editor

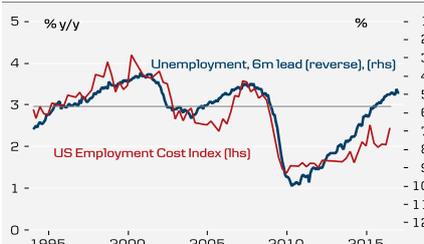
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#### US financial conditions have become much more supportive for growth



Source: Macrobond

#### Wage growth moving gradually higher as slack diminishes



Source: Macrobond

# Market movers

## Global

- In the **US** next week, we have a heavy calendar regarding data releases. Most importantly, we get the jobs report for August on Friday. We estimate non-farm payrolls increased 175,000 in August in line with consensus, but below the prints of the last two months. It is still above the amount needed for slack to come down, estimated in the range of 75-150k. We expect average hourly earnings increased 0.2% m/m in August in line with the recent trend implying an annual growth rate of 2.5%. We expect the unemployment rate declined to 4.8% in August, but it is a close call between 4.9% and 4.8%.

On Thursday we get the ISM manufacturing index for August. We look for a decline to 51.8 in August, due to the decline in the preliminary Markit PMI manufacturing and weak regional indices. We think the manufacturing cycle has turned since the lows of early 2016, but also that an ISM manufacturing index above 52 is probably too high in the current situation.

On the consumer side, we get Conference board consumer confidence for August on Tuesday. We expect the consumer confidence index was more or less unchanged around the current level. The Michigan consumer confidence index rose marginally in August after a decline in July: Overall, consumer confidence continues at a high level regardless the type of measure. On Monday, we get the PCE figures for July. We estimate the PCE core index rose 0.1 % m/m in July implying an unchanged core inflation rate of 1.6 % y/y.

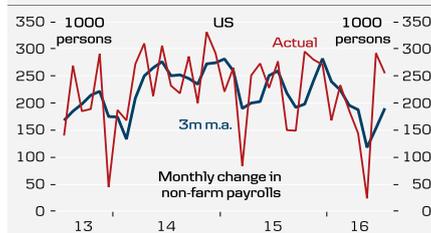
The week also brings several public appearances by FOMC members. Any comments about monetary policy will be followed closely up to the FOMC meeting in mid-September.

- In the **euro area**, one of the key figures comes on Wednesday when the unemployment data for July is released. The unemployment rate has steadily closed in on the NAIURU at 9.7% since H2 13, but since May, it has lingered at 10.1%. We expect this level to persist in July. Looking forward, as we observe the unemployment rate close to the NAIURU, we expect an upward pressure on wages.

We also get HCIP inflation data on Wednesday. We have seen y/y inflation rise marginally every month since April 2016, and we expect the rise to continue in July. Although the oil price decreased in July, the 2015 base effects will keep upward pressure on inflation and the effect is likely to continue in the short term and cause a sharp increase in inflation towards the end of 2016. Even if inflation approaches ECB's 2.0% target, we believe that the ECB will recognise that it is not on a sustainable 2.0% path yet as we find their core inflation forecast too optimistic. The German inflation numbers are released on Tuesday and will give the first indication of the inflation figures for the euro area.

On Thursday, the manufacturing PMIs for Spain and Italy will be released. Last week, the euro area showed a slight decline in manufacturing PMI to 51.8 from 52.0 but overall the PMIs indicate that the euro area is on a steady growth path in the third quarter. As the French and German manufacturing PMI both saw a slight decline in line with the euro area PMI, we expect a very similar small decline in the Italian and Spanish manufacturing PMI.

**Job growth rebounded significantly in June and July. We estimate non-farm payrolls increased 175,000 in August**



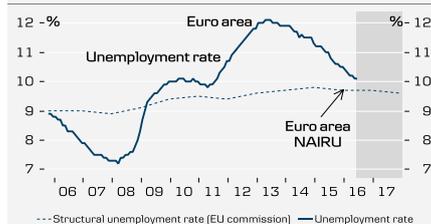
Source: BLS

**Markit PMI and regional indices point to a decline in ISM manufacturing index**



Source: Markit Economics, ISM

**The unemployment rate is closing the gap to the NAIURU**



Source: European Commission, Eurostat

**The HCIP is expected to become positive**



Source: Eurostat

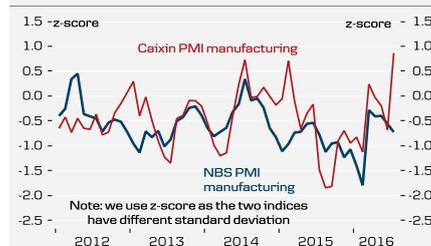
German retail sales figures for July are also released. The y/y growth has been consistent at around 2.7% since April, and we believe the level will remain in July. While the low unemployment rate and oil price decline in July supports higher retail sales, the consumer confidence in July saw a decline from the level in May together with the initial post-Brexit vote turmoil supports lower retail sales. We therefore expect somewhat unchanged retail sales growth.

- It's time for PMI data in **China** next week. The private Caixin PMI manufacturing rose strongly in July and we see a clear risk of a correction lower in August. We look for a surprise to the downside with the index falling to 49.8 (consensus 50.2) from 50.6 in July. The data are more volatile than the official PMI which was much more subdued in July and we believe the gap is most likely to close by the Caixin PMI manufacturing coming down. While this would still be in line with a moderate recovery, the markets may react negatively to a downside surprise. We look for the Chinese economy to muddle through in H2 with construction activity still pulling up while fading fiscal stimulus is expected to weigh on activity rest of the year.

### Scandi

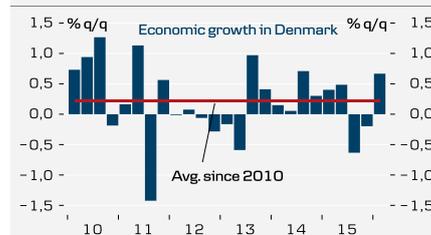
- In **Denmark** the statistical office releases national accounts data for Q2 on Wednesday. GDP surprised on the upside in Q1, thanks mainly to exports, and we expect another quarter of healthy growth. Indicators for private consumption and exports are looking good, so we expect GDP to climb 0.5% q/q. Wednesday also brings figures for unemployment in July and housing prices in June. The jobless rate dropped to 4.2% in June, having fallen steadily since 2012 on the back of rising employment, and we expect an unchanged rate in July. Housing prices climbed 4.3% during the first five months of the year, and the June figures will complete the picture for H1. FX reserve numbers for August are due out Friday. The FX reserves remained broadly flat from June to July and so far we have seen no signs of any significant currency inflows in the wake of Brexit.
- In **Sweden**, the week ahead contains another batch of interesting data. On Monday (at 09.30 CEST) Statistics Sweden (SCB) publishes July retail sales, where we expect decent year-on-year growth, despite a strong number July last year. Simultaneously, SCB also releases data on the July trade balance, where we would like to see an uptick, driven mainly by higher exports. On 31 August (at 09.15 CEST), the National Institute for Economic Research (KI) reveals its latest forecast for the Swedish economy. And for once, we will study the forecast more closely as it will provide important input to the SNDO:s upcoming forecast on net borrowing requirements. Should KI indeed revise the central government finances quite strongly (which they should), we suspect the SNDO will have no other option than to pull down the supply of nominal government bonds (at least for 2017). This, in turn, could have quite strong repercussions on all Swedish fixed income markets, and maybe even on the Riksbank's future QE purchases. On Thursday (at 08.30 CEST), Swedish PMI data are published but this indicator has rather weak leading properties. The Current Account numbers (Friday at 09.30 CEST) are by and large already discounted (as we have already received GDP Q2).

#### We look for Caixin PMI manufacturing to correct lower in July



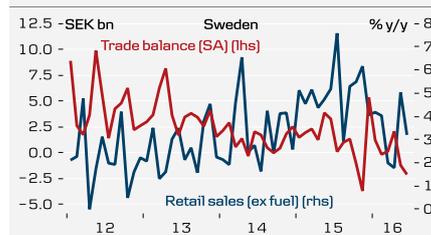
Source: Macrobond Financial

#### Growth jumped in Q1



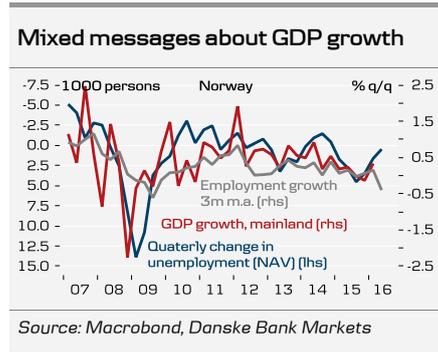
Source: Statistics Denmark

#### Retail trade and trade balance



Source: Macrobond, Danske Bank calculations.

• In **Norway** we reckon the economy has bottomed out and the risk of a more severe and protracted downturn is ever decreasing. The reason for this is that the headwinds from the oil sector are gradually easing, and growth in the non-oil economy is accelerating thanks to low interest rates, a weak Norwegian krone and expansionary fiscal policy. In the short term, though, growth is unlikely to be especially strong. The data we have so far do not point to particularly healthy GDP growth in Q2. It appears that mainland exports, industrial production and construction activity all fell, and consumption of goods grew only weakly. Of course the service sector – especially the parts that feed off domestic and foreign tourists – probably performed well, but we do not have any good data in that area. One useful cross-check is to look at developments in the labour market over the same period. Unfortunately there are rather mixed messages here: gross unemployment rose slightly more slowly than in Q1, which would suggest higher GDP growth, whereas the LFS employment measure actually fell, which does not point to particularly healthy growth. We therefore tentatively predict an increase in mainland GDP of 0.3% q/q in line with Norges Bank’s projections. Also coming up are retail sales data for July, which will give us an idea of how private consumption is reacting to higher inflation eating away at consumers’ purchasing power. We reckon the tourist boom will have helped prop up consumption and so expect retail sales to grow 0.2% m/m. The PMI and actual industrial production have risen more or less in tandem since September last year, leading us to conclude that the headwinds from the oil industry are easing. In June, however, they moved in opposite directions, with the PMI hitting a four-year high but industrial production dropping 2.3% m/m, so it will be interesting to see if there is a correction in the PMI in August.



Market movers ahead

Global movers			Event	Period	Danske	Consensus	Previous
During the week							
Mon	29-Aug	14:30	USD PCE core	m/m y/y	Jul	0.1% 1.6%	0.1% 1.6%
Tue	30-Aug	1:30	JPY Unemployment rate	%	Jul	3.1%	3.1%
		11:00	EUR Business climate indicator	Net bal.	Aug	0.4	0.4
		14:00	DEM HICP, preliminary	m/m y/y	Aug	0.0% 0.4%	0.4% 0.4%
		16:00	USD Conference Board consumer confidence	Index	Aug	97.0	97.3
Wed	31-Aug	1:50	JPY Industrial production, preliminary	m/m y/y	Jul	0.7% -3.0%	2.3% -1.5%
		9:15	USD Fed's Rosengren (voter, dovish) speaks				
		9:55	DEM Unemployment	%	Aug	6.1%	6.1%
		11:00	EUR HICP inflation, preliminary	y/y	Aug	0.3%	0.2%
		14:15	USD ADP employment	1000	Aug	173	179
		15:45	USD Chicago PMI	Index	Aug	54.0	55.8
Thurs	01-Sep	3:00	CNY PMI manufacturing	Index	Aug	49.9	49.9
		3:45	CNY Caixin Manufacturing PMI	Index	Aug	49.8	50.6
		10:00	EUR PMI manufacturing, final	Index	Aug	51.8	51.8
		14:30	USD Initial jobless claims	1000			261
		16:00	USD ISM manufacturing	Index	Aug	51.8	52.0
Fri	02-Sep	14:30	USD Non farm payrolls	1000	Aug	175	255
		14:30	USD Unemployment	%	Aug	4.8%	4.8%
		19:00	USD Fed's Lacker (non-voter, hawkish) speaks				4.9%
Scandi movers							
During the week							
Mon	29-Aug	9:30	SEK Retail sales s.a.	m/m y/y	Jul	0.2% 2.2%	-0.6% 3.2%
Tue	30-Aug						
Wed	31-Aug	10:00	NOK Credit indicator (C2)	y/y	Jul	5.0%	4.9%
		10:00	NOK GDP (mainland)	q/q	2nd quarter	0.3%	0.3%
Thurs	01-Sep	8:30	SEK PMI manufacturing	Index	Aug	54.0	55.4
Fri	02-Sep	16:00	DKK Currency reserves	DKK bn	Aug		449.9

Source: Bloomberg, Danske Bank Markets

# Global Macro and Market Themes

## A checklist for the US economy

With Brexit behind us and no imminent risk factors on the horizon, attention is increasingly on the scope for the next Fed hike. **The Fed will need US growth to be on a firm footing and global risks to be balanced to pull the trigger.** Below, we provide a short checklist on the status of the US economy.

- **GDP.** The *Federal Reserve Bank of Atlanta's GDP 'nowcast'* for Q3 stands at 3.4% q/q AR rebounding from 1.2% q/q AR in Q2. This would leave the average for the two quarters at 2.3%. This is above US trend growth and enough for slack in the labour market to diminish further.
- **Financial conditions.** Equity markets are higher, credit spreads much tighter, bond yields lower and the USD broadly sideways. This leaves financial conditions much more supportive of growth (see Chart 1)
- **Labour market.** Employment has been back on track in recent months with average monthly job growth of 190,000 over the past three months. This is above the interval that Fed Vice Chairman Stanley Fischer mentioned as the level needed to outpace the rise in the labour force, which he put at 75,000-150,000 in his speech this week. We look for some downside risk to the August payrolls following two strong months but the 3M average should stay close to 200,000. The unemployment rate at 4.9% is close to the level seen as the long-term unemployment rate (NAIRU).
- **Wage growth.** Wage increases have increased gradually to around 2.5% as slack is diminishing (see Chart 2).

### Key points

- The US economy is on a firmer footing as financial conditions are more supportive and the drag from the low oil price is fading.
- The Fed is eyeing the next hike - job growth and global risks are key for the timing.
- Euro area resilient to Brexit - we have revised GDP growth higher.
- Stocks supported by low yields and fewer risks. Bond yields low for longer, EUR/USD range bound.

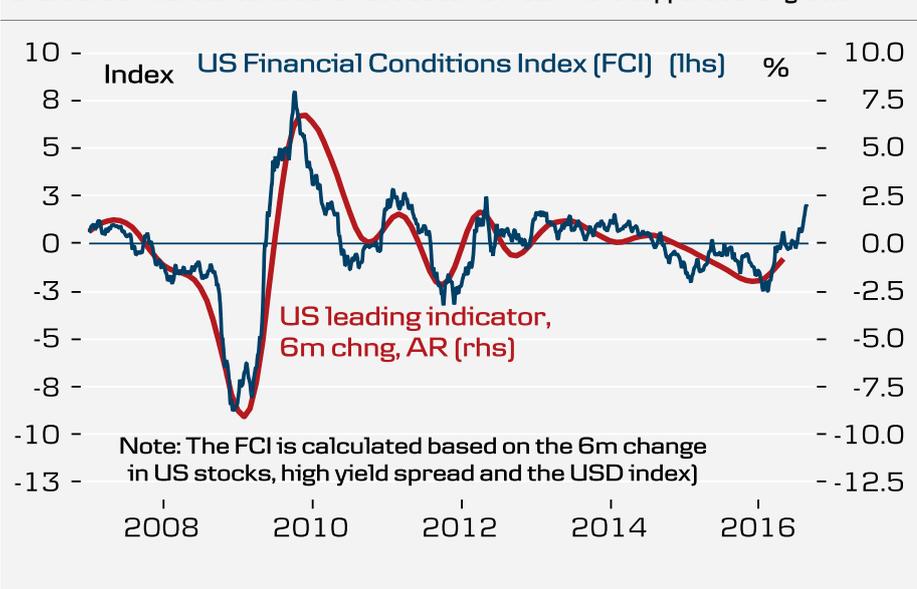
**Chart 2: Wage growth moving gradually higher as slack diminishes**



Source: Macrobond Financial, DBM

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**Chart 1: US financial conditions have become much more supportive for growth**



Source: Macrobond Financial

- Manufacturing.** ISM manufacturing and industrial production both rebounded in H1, suggesting that the worst is over for US manufacturing. Signals for August are mixed with regional indices mixed and PMI manufacturing also being less upbeat. This leaves some uncertainty about the state of manufacturing.
- Investments.** Following a long decline in durable goods orders in 2015, the report for July this week pointed to a further bottom in investment growth. It suggests that one of the main drags for the US economy is starting to ease. A rebound in the oil price and easier financial conditions provide support for investments in coming quarters.
- Private consumption.** Retail sales rebounded strongly in Q2, showing the strongest growth in two years. It is probably too strong and July retail sales were on the soft side. However, looking through the noise, consumers seem to be on a firm footing.
- Housing.** New home sales jumped higher in July and rose to the highest level since 2007. It points to rising activity in the construction sector in H2 and shows that lower yields are feeding through to economic activity.
- Global risks.** With a robust performance in emerging markets, calm on the China front and the effects of Brexit apparently more muted than feared, the risk picture is looking more balanced currently.
- Core inflation.** The Fed's preferred measure of inflation is the core PCE deflator. It has hovered around 1.6% y/y in 2016 up from 1.3% y/y in mid-2015. It is thus closing in on the Fed's inflation target of 2% but so far not there yet. Core CPI inflation has been above 2% for nine months.

**Overall, the picture for the US economy has improved over the past quarter, which explains why Fed members have started to put a potential rate hike back on the agenda.**

Fed vice chairman Stanley Fischer last week said: *'So we are close to our targets. Not only that, the behaviour of employment has been remarkably resilient... The unemployment rate is currently close to most estimates of the natural rate... Core PCE inflation at 1.6% is within hailing distance of 2%'*. Other prominent members have also highlighted that a rate hike is drawing closer.

The communication around the next hike has been a bit blurred by a separate discussion within the Fed on the long-term neutral rate. Most members agree that this level has come down – partly due to lower productivity growth. However, even if the neutral rate is lower, say 3%, it does not mean that the Fed will not raise the rate from the current level of 25-50bp, which is still far below the lower neutral level.

The question is just *how* close the Fed is to pulling the trigger. The Fed is likely to need further evidence that the labour market is in good shape, growth is on track and global risks balanced. However, the probability of a rate hike this year has clearly gone up. We will review our own forecast of a hike in June 2017 after the next employment report on Friday next week.

## Euro area holding up following Brexit – we revise up GDP growth

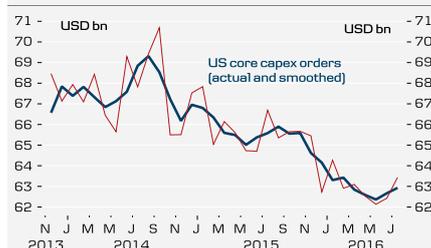
This week's data on Flash Euro PMI for August held up well once again further highlighting that the spill-over from Brexit to continental Europe is likely to be limited. We have thus revised higher our euro area GDP forecast as growth in H2 looks likely to be higher than expected than before (see *Flash Comment: Euro area – resilient PMIs – the recovery should continue*, 23 August 2016). The German ifo index fell back a bit in August but it still points to robust growth in Germany.

**Chart 3: Robust US consumption despite softer July**



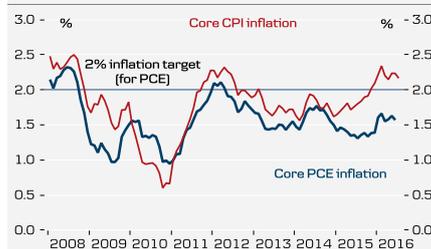
Source: Macrobond Financial

**Chart 4: Capex orders bottoming as oil drag fades**



Source: Macrobond Financial

**Chart 5: Core PCE inflation slightly below 2% target**



Source: Macrobond Financial

**Chart 6: Euro PMI holding up – moderate recovery set to continue**



Source: Macrobond Financial

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We have also changed our view on the ECB to remain on hold at the meeting in September (see *ECB preview: Still awaiting more information*, 24 August 2016). We believe that in the ECB's view, the incoming information since July does not warrant further easing. We still firmly believe the ECB will eventually extend QE purchases beyond March 2017 due to the lack of a sustainable path in inflation. However, for now, we expect it to keep its powder dry.

### Stocks underpinned by low yields, EUR/USD range bound

Volatility in global stock markets has come down significantly, with daily swings very small compared with earlier this year. We still see stocks underpinned by record-low bond yields – and in the case of Germany and Japan, even negative 10-year yields. Global risks have come down and investor money is increasingly finding its way to the stock market in search of yield – even if global growth is sluggish. We look for more of this in the short term. Even if the Fed does hike this year, it will signal a very gradual hiking cycle which should not lead to a sustained decline in risk markets. In the medium to long term, we expect the stock markets to be restrained by weak profit growth and high valuations. The business cycle is also likely to lose some momentum in 2017, again driven partly by weaker Chinese macro momentum.

**We expect government bond yields to stay low for a long time** as negative rates will keep pushing investors out on the yield curve to find returns. Further easing from the Bank of Japan and an extension of the ECB's QE at some point will also underline that monetary policy should stay accommodative for a very long time. US short yields will push a bit higher if the Fed decides to move rates this year but the money market curve is likely to stay very flat and put a lid on the move.

**In the FX market, we expect EUR/USD to stay in the 1.10-1.14 range bound** in coming months before the cross moves higher as structural flows are supportive of the EUR and it is fundamentally undervalued on our medium-term models.

**Chart 7: Lower German ifo still in line with decent German growth**



Source: Macrobond Financial

**Chart 8: Euro stocks have been lagging**



Source: Macrobond Financial

### Global market views

Asset class	Main factors
<b>Equities</b> Short term (0-1 month): buy on dips  Medium term (three-six months): underweight equities vs cash	The hunt for yield as a theme has led equity markets to bounce back after Brexit. Growth is above expectations but has still not broken out of the range. Risk of setbacks is high due to stretched valuations and still fairly weak earnings but central banks anchoring of bond yields provide a cushion for a setback; hence, our structurally underweight position in equities vs cash but still buy-on-dips stance on a shorter-term perspective.
<b>Bond market</b> Core yields: low for even longer with increased uncertainty US-euro spread: wider but not before we see Fed hikes Peripheral spreads: ECB support Credit spreads: neutral	We expect the ECB to prolong the QE programme by another six months. Fed on hold until 2017. QE buying and hunt for yield means further performance. ECB keeping spreads contained.
<b>FX</b> EUR/USD - 1.10-1.14 range near term, then higher EUR/GBP - further GBP weakness in next few months USD/JPY - risks skewed to the downside EUR/SEK - to move gradually lower over coming months EUR/NOK - risks skewed to the upside on Norges Bank easing	Valuations and CA differential support cross in the medium to long term; short-term downside risks from EU risks. BoE monetary easing and financial account flows to send cross higher. BoJ easing limits downside potential stemming from fundamentals and relative current account flows. To move lower on relative fundamentals, valuation and natural domestic sellers returning post summer lull. Global factors, oil price end Norges Bank to keep cross in range in coming months, then lower on valuation and fundamentals.
<b>Commodities</b> Oil price – consolidation in US oil sector leading to recovery Metal prices – positive outlook anticipating recovery in Chinese construction Gold price – bouncing on repricing of Fed and other major central banks Agricultural – support from disruptive weather, higher oil price	OPEC has lost leverage over oil price; sliding US dollar and supply disruption have added support recently. Consolidation in mining industry puts a floor under prices, awaiting support from higher global economic growth. Brexit risk leads to safe-haven flows and more dovish major central banks support demand for gold. Attention has turned to La Niña weather risks in H2 16.

Source: Danske Bank Markets

# Scandi update

## Denmark – employment accelerates in June

The monthly employment figures from Statistics Denmark show that job growth accelerated in June, with another 4,700 people in work despite a decrease of 300 in the public sector. April and May saw more modest increases of around 3,000 a month; therefore, it is good to see this acceleration in June. The data is as yet unaffected by the British decision to leave the EU, so we cannot rule out a more subdued labour market in coming months. The better conditions for Danish households are also reflected in consumer confidence, which climbed from 3.1 in July to 4.8 in August. The increase was due mainly to consumers being more positive about the outlook for the Danish economy than they were in the first post-Brexit survey.

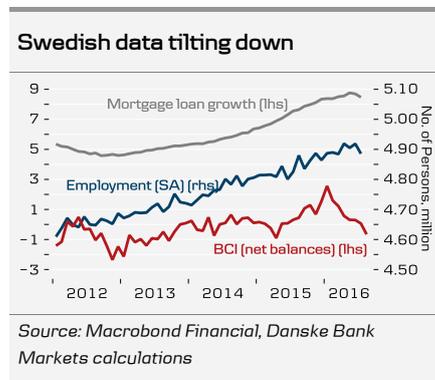
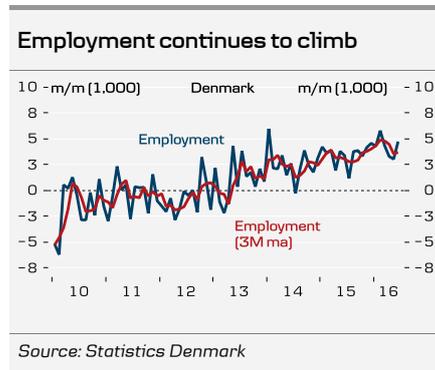
## Sweden – on the soft side

The past week’s data was on the soft side overall. The Business and Consumer Confidence surveys (BCI/CCI) published by the National Institute for Economic Research (KI) point to a normalisation of economic developments, which means that the Swedish economy is losing momentum quite rapidly. As long as we see no apparent weakening in global demand, we feel this rhymes fairly well with our call for a normalisation of the Swedish economy. That said, the BCI indicates that the exports industry has grown considerably more concerned by the outlook for demand, and we will scour incoming data for signs of a more pronounced slowdown.

Statistics Sweden (SCB) published July’s labour force survey, financial market data and PPI but we saw little to sway our views on the economy. As for employment and household lending (the main focus of interest), some loss of momentum was detectable but that is very much in line with our long-held view and probably that of financial markets. From PPI, our main takeaway is that import prices continue to fall back as the SEK has stabilised over the past year.

## Norway – still not a clean bill of health

We have long argued that the Norwegian economy has bottomed out and is not headed for a deep and prolonged crisis, and developments in recent weeks have made us all the more convinced of this. That said, we acknowledge that growth will remain modest in the coming quarters. We learned during the week that oil investment will probably fall slightly further than previously expected both this year and next. The change is not dramatic but underlines that there will still be headwinds from the oil sector for some time. The latest LFS data also showed unemployment climbing to 4.8%, the highest for 20 years. Therefore, we are back in a period where the two main jobless measures are sending out different signals about the labour market. Although we, like most others, attach most importance to jobless data from the Norwegian Labour and Welfare Administration (NAV), the rise in LFS unemployment once again casts doubt on the strength of the labour market. So, although the downside risk to the Norwegian economy has decreased since the beginning of the year, it is still too early to give the economy a clean bill of health.



# Latest research from Danske Bank Markets

## *24/8 ECB Preview: Still awaiting more information*

We have changed our view and now expect the ECB to remain on hold at the meeting in September. We believe that in the ECB's view the incoming information since July does not warrant additional easing.

## *23/8 Euro area: resilient PMIs – the recovery should continue*

The euro area PMI figures for August were little changed compared with the level in July and only the manufacturing PMI is lower than prior to the Brexit vote in June.

# 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	2015	1.0	2.3	-0.7	1.1	-0.3	0.3	0.0	0.5	4.6	-2.1	40.2	7.0
	2016	0.7	1.9	0.5	1.1	0.1	0.7	1.7	0.4	4.3	-1.7	39.3	6.8
	2017	1.0	1.9	0.5	0.9	0.1	2.6	3.5	1.2	4.3	-1.4	39.2	6.9
Sweden	2015	4.2	2.7	2.6	7.0	0.1	5.9	5.5	0.0	7.4	-0.3	43.4	4.9
	2016	2.6	3.0	3.2	4.6	0.0	1.4	4.1	0.8	7.1	-0.4	41.5	5.0
	2017	1.4	1.6	2.0	-0.3	-0.1	2.0	2.3	0.6	7.2	-1.5	41.7	5.2
Norway	2015	1.0	2.0	1.9	-4.2	0.3	3.4	1.1	2.1	3.0	-	-	-
	2016	0.9	1.5	3.0	-1.6	0.0	0.8	0.9	3.1	3.4	-	-	-
	2017	1.9	2.2	3.1	0.9	-0.2	0.9	2.2	2.8	3.5	-	-	-

## 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	2015	1.6	1.7	1.3	2.7	-	5.1	5.9	0.0	10.9	-2.1	90.7	3.6
	2016	1.5	1.5	1.5	2.4	-	2.7	3.9	0.3	10.2	-2.0	90.2	3.7
	2017	1.0	0.9	1.2	0.9	-	3.2	3.2	1.3	10.0	-1.8	89.8	3.6
Germany	2015	1.4	2.0	2.5	1.6	-	4.8	5.4	0.1	4.6	0.7	71.2	8.8
	2016	1.2	1.6	2.2	2.0	-	2.2	4.0	0.4	4.4	0.2	68.6	8.5
	2017	1.0	1.2	1.4	-0.3	-	3.3	3.6	1.6	4.5	0.0	66.5	8.3
France	2015	1.2	1.5	1.4	0.9	-	6.0	6.4	0.1	10.4	-3.5	95.8	-1.5
	2016	1.2	1.6	1.3	1.8	-	1.9	4.6	0.5	10.2	-3.5	96.5	-1.1
	2017	0.3	0.7	1.0	-0.8	-	3.0	3.3	1.4	10.3	-3.4	97.5	-1.0
Italy	2015	0.6	0.9	-0.7	0.6	-	4.1	5.8	0.1	11.9	-2.6	132.7	2.2
	2016	0.6	1.1	0.9	0.8	-	0.1	1.3	0.1	11.8	-2.6	132.9	2.4
	2017	0.4	0.6	0.7	-0.6	-	3.2	3.3	1.4	11.5	-2.3	132.5	2.3
Spain	2015	3.2	3.1	2.7	6.4	-	5.4	7.5	-0.6	22.1	-5.1	99.2	1.4
	2016	2.4	2.8	2.1	2.8	-	2.4	4.0	-0.2	20.3	-4.0	100.5	1.5
	2017	1.1	1.4	1.3	0.3	-	2.9	3.2	1.7	19.0	-3.5	100.0	1.3
Finland	2015	0.7	1.4	-0.9	-1.4	-	0.6	-0.4	-0.2	9.4	-2.8	63.0	0.1
	2016	0.8	1.1	0.0	2.5	-	-1.0	0.0	0.4	9.2	-2.9	65.9	0.2
	2017	0.5	0.5	-0.5	1.5	-	2.0	1.5	0.5	9.0	-2.8	68.6	0.2

## 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	2015	2.4	3.1	0.7	4.0	0.2	1.1	4.9	0.1	5.3	-2.6	105	-2.7
	2016	1.7	2.7	0.9	0.6	-0.2	0.3	0.9	1.4	4.8	-2.9	105	-2.9
	2017	1.9	2.3	0.8	2.3	0.0	2.4	2.8	2.5	4.6	-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	0.1	5.4	-5.0	87.4	-5.2
	2016	1.1	2.3	1.2	-2.9	0.2	2.6	3.0	0.8	5.2	-3.9	88.9	-5.5
	2017	-0.4	0.5	0.2	-3.4	0.0	2.0	2.4	2.4	5.6	-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 vs DKK
USD	26-Aug	0.50	0.81	0.97	1.42	113.4	-	656.4
	+3m	0.50	0.76	0.95	1.50	112.0	-	664.3
	+6m	0.50	0.75	0.95	1.60	114.0	-	652.4
	+12m	0.75	0.99	1.35	1.85	118.0	-	630.3
EUR	26-Aug	0.00	-0.30	-0.21	0.29	-	113.4	744.2
	+3m	0.00	-0.30	-0.22	0.35	-	112.0	-
	+6m	0.00	-0.30	-0.15	0.50	-	114.0	743.8
	+12m	0.00	-0.30	-0.15	0.70	-	118.0	743.8
JPY	26-Aug	-0.10	-0.02	-0.06	0.07	113.5	100.1	6.56
	+3m	-0.10	-	-	-	114.2	102.0	6.51
	+6m	-0.10	-	-	-	118.6	104.0	6.27
	+12m	-0.10	-	-	-	122.7	104.0	6.06
GBP	26-Aug	0.25	0.38	0.41	0.70	86.4	131.3	861.6
	+3m	0.10	0.19	0.35	0.65	90.0	124.4	826.7
	+6m	0.10	0.19	0.35	0.80	95.0	120.0	782.9
	+12m	0.10	0.20	0.45	1.00	90.0	131.1	826.4
CHF	26-Aug	-0.75	-0.74	-0.71	-0.31	108.4	95.6	686.7
	+3m	-0.75	-	-	-	109.0	97.3	682.6
	+6m	-0.75	-	-	-	110.0	96.5	676.1
	+12m	-0.75	-	-	-	113.0	95.8	658.2
DKK	26-Aug	0.05	-0.21	-0.03	0.56	744.2	656.4	-
	+3m	0.05	-0.20	-0.02	0.71	744.0	664.3	-
	+6m	0.05	-0.20	0.00	0.74	743.8	652.4	-
	+12m	0.05	-0.20	0.00	0.84	743.8	630.3	-
SEK	26-Aug	-0.50	-0.55	-0.46	0.62	948.2	836.3	78.5
	+3m	-0.50	-0.55	-0.50	0.50	930.0	830.4	80.0
	+6m	-0.50	-0.50	-0.50	0.60	930.0	815.8	80.0
	+12m	-0.50	-0.50	-0.50	0.70	910.0	771.2	81.7
NOK	26-Aug	0.50	1.08	1.09	1.31	927.5	818.0	80.2
	+3m	0.25	0.75	1.00	1.45	930.0	830.4	80.0
	+6m	0.25	0.75	1.00	1.55	910.0	798.2	81.7
	+12m	0.25	0.65	1.00	1.75	890.0	754.2	83.6

## Equity Markets

Regional		Risk profile 3mth	Price trend 3mth	Price trend 12mth	Regional recommendations
USA (USD)	Strong domestic demand, USD weakening	Medium	-3 -+3%	0-5%	Overweight
Emerging markets (local ccy)	Commodities and China stabilising	High	-3 -+3%	0-5%	Overweight
Japan (JPY)	Stronger JPY, weak earnings outlook	High	-5 -+5%	0-3%	Underweight
Europe (excl. Nordics)	ECB monetary easing, weaker GDP growth	High	-5 -+5%	0-3%	Underweight
Nordics	Earnings growth, expensive valuation	Medium	-3 -+3%	0-5%	Overweight

## Commodities

	26-Aug	2016				2017				Average	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2016	2017
NYMEX WTI	47	34	46	49	50	52	54	56	58	45	55
ICE Brent	50	35	47	49	50	52	54	56	58	45	55
Copper	4,626	4,672	4,731	5,000	5,100	5,200	5,300	5,400	5,500	4,876	5,350
Zinc	2,298	1,687	1,930	2,150	2,150	2,150	2,150	2,100	2,100	1,979	2,125
Nickel	9,845	8,537	8,885	10,500	10,700	10,900	11,100	11,300	11,500	9,655	11,200
Aluminium	1,645	1,516	1,584	1,650	1,750	1,800	1,850	1,900	1,950	1,625	1,875
Gold	1,325	1,183	1,260	1,325	1,325	1,300	1,275	1,250	1,225	1,273	1,263
Matif Mill Wheat (€/t)	160	157	159	154	158	161	159	159	159	157	160
Rapeseed (€/t)	376	359	370	380	390	400	400	400	400	375	400
CBOT Wheat (USD/bushel)	401	466	470	450	475	500	510	520	530	465	515
CBOT Corn (USD/bushel)	324	363	391	380	390	400	410	415	420	381	411
CBOT Soybeans (USD/bushel)	998	881	1,059	1,175	1,175	1,175	1,150	1,125	1,100	1,072	1,138

Source: Danske Bank Markets

# Calendar

During the week				Period	Danske Bank	Consensus	Previous
Sat 27	CNY	Industrial profits	y/y	Jul			5.1%
Sat 27	EUR	ECB's Coeure speaks at Jackson Hole					
Sun 28	GBP	Nationwide house prices	m/m y/y	Aug		-0.3% 4.7%	0.5% 5.2%
Monday, August 29, 2016				Period	Danske Bank	Consensus	Previous
-	DEM	Retail sales	m/m y/y	Jul		0.5% 0.7%	-0.1% 2.7%
9:30	SEK	Retail sales s.a.	m/m y/y	Jul		0.2% 2.2%	-0.6% 3.2%
9:30	SEK	Trade balance	SEK bn	Jul			1.8
10:00	ITL	Business confidence	Index	Aug		102.4	103.1
14:30	USD	PCE core	m/m y/y	Jul	0.1% 1.6%	0.1% 1.5%	0.1% 1.6%
14:30	USD	PCE deflator	m/m y/y	Jul	0.0% 0.8%	0.0% 0.8%	0.1% 0.9%
14:30	USD	Personal income	m/m	Jul		0.4%	0.2%
14:30	USD	Personal spending	m/m	Jul		0.4%	0.4%
Tuesday, August 30, 2016				Period	Danske Bank	Consensus	Previous
-	DKK	Budget proposal					
1:30	JPY	Household spending	y/y	Jul		-1.4%	-2.2%
1:30	JPY	Unemployment rate	%	Jul		3.1%	3.1%
1:30	JPY	Job-to-applicant ratio		Jul		1.38	1.37
1:50	JPY	Large retailers' sales	y/y	Jul		0.9%	-1.5%
1:50	JPY	Retail trade	m/m y/y	Jul		0.8% -0.9%	0.3% -1.3%
9:00	DKK	CB's securities statistics		Jul			
9:00	DKK	Foreign portfolio investments		Jul			
9:00	ESP	HICP, preliminary	m/m y/y	Aug		0.1% -0.3%	-1.3% -0.7%
9:30	SEK	Wages (blue collars/white collars)	y/y	Jun			0.9%
10:30	GBP	Mortgage approvals	1000	Jul		62.0	64.8
10:30	GBP	Broad money M4	m/m y/y	Jul			1.1% 3.5%
11:00	EUR	Business climate indicator	Net bal.	Aug		0.4	0.4
11:00	EUR	Industrial confidence	Net bal.	Aug		-2.6	-2.4
11:00	EUR	Economic confidence	Index	Aug		104.2	104.6
11:00	EUR	Consumer confidence, final	Net bal.	Aug		-8.5	-8.5
11:00	EUR	Service confidence	Net bal.	Aug		11.2	11.1
14:00	DEM	HICP, preliminary	m/m y/y	Aug		0.0% 0.4%	0.4% 0.4%
15:00	USD	S&P Case Shiller House prices	Index	Jun			188.3
16:00	USD	Conference Board consumer confidence	Index	Aug	97.0	97.0	97.3
Wednesday, August 31, 2016				Period	Danske Bank	Consensus	Previous
1:05	GBP	GfK consumer confidence	Index	Aug		-9.0	-12.0
1:50	JPY	Industrial production, preliminary	m/m y/y	Jul		0.7% -3.0%	2.3% -1.5%
7:00	JPY	Small business confidence	Index	Aug			47.8
7:00	JPY	Housing starts	y/y	Jul		7.5%	-2.5%
8:45	FRF	Household consumption	m/m y/y	Jul		0.3% 1.3%	-0.8% 0.6%
8:45	FRF	HICP, preliminary	m/m y/y	Aug		0.4% 0.4%	-0.4% 0.4%
9:00	DKK	GDP, first estimate	q/q y/y	2nd quarter	0.5% ...		0.7% ...
9:00	DKK	Gross unemployment s.a.	K (%)	Jul	4.2%		4.2% 11.1
9:00	DKK	House prices	m/m y/y	Jun			
9:15	USD	Fed's Rosengren (voter, dovish) speaks					
9:15	SEK	NIER economic forecasts					
9:55	DEM	Unemployment	%	Aug		6.1%	6.1%
10:00	NOK	Credit indicator (C2)	y/y	Jul		5.0%	4.9%
10:00	NOK	GDP (total)	q/q	2nd quarter		0.1%	1.0%
10:00	NOK	Norges Bank's daily FX purchases	m	Sep			-900
10:00	NOK	GDP (mainland)	q/q	2nd quarter	0.3%	0.3%	0.3%
11:00	ITL	HICP, preliminary	m/m y/y	Aug		-0.1% -0.1%	-1.9% -0.2%
11:00	EUR	Unemployment	%	Jul	10.1%	10.0%	10.1%
11:00	EUR	HICP - core inflation	y/y	Aug	0.8%	0.9%	0.9%
11:00	EUR	HICP inflation, preliminary	y/y	Aug	0.3%	0.3%	0.2%
12:00	EUR	Portugal, GDP, final	q/q y/y	2nd quarter			0.2% 0.8%
13:00	USD	MBA Mortgage Applications	%				-2.1%
14:00	USD	Fed's Kashkari (non-voter, dovish) speaks					
14:15	USD	ADP employment	1000	Aug		173	179
14:30	CAD	GDP	m/m y/y	Jun		0.5% 1.1%	-0.6% 1.0%
15:45	USD	Chicago PMI	Index	Jul		54.0	55.8
16:00	USD	Pending home sales	m/m y/y	Aug		0.8% 2.2%	0.2% 0.3%
16:30	USD	DOE U.S. crude oil inventories	K				2501

Source: Danske Bank Markets

Calendar – continued

Thursday, September 1, 2016

				Period	Danske Bank	Consensus	Previous
-	USD	Total vehicle sales	m	Aug		17.25	17.77
-	JPY	Official reserves assets	USD bn	Aug			1264.8
3:00	CNY	PMI manufacturing	Index	Aug		49.9	49.9
3:00	CNY	PMI non-manufacturing	Index	Aug			53.9
3:30	AUD	Retail sales	m/m	Jul		0.3%	0.1%
3:45	CNY	Caixin Manufacturing PMI	Index	Aug	49.8	50.1	50.6
4:00	JPY	Nikkei Manufacturing PMI, final	Index	Aug			49.6
8:30	SEK	PMI manufacturing	Index	Aug		54.0	55.4
9:00	NOK	PMI manufacturing	Index	Aug			54.8
9:15	ESP	PMI manufacturing	Index	Aug		50.8	51.0
9:45	ITL	PMI manufacturing	Index	Aug		51.4	51.2
9:50	FRF	PMI manufacturing, final	Index	Aug		48.5	48.5
9:55	DEM	PMI manufacturing, final	Index	Aug		53.6	53.6
10:00	NOK	Retail sales, s.a.	m/m	Jul	0.2%	0.3%	-0.6%
10:00	EUR	PMI manufacturing, final	Index	Aug		51.8	51.8
10:30	GBP	PMI manufacturing	Index	Aug		49.0	48.2
14:30	USD	Initial jobless claims	1000				261
14:30	USD	Unit labour cost, final	q/q	2nd quarter		2.0%	2.0%
15:45	USD	Markit manufacturing PMI, final	Index	Aug			52.1
16:00	USD	Construction spending	m/m	Jul		0.6%	-0.6%
16:00	USD	ISM manufacturing	Index	Aug	51.8	52.0	52.6
16:00	USD	ISM prices paid	Index	Aug		54.5	55.0
18:25	USD	Fed's Mester (voter, hawkish) speaks					

Friday, September 2, 2016

				Period	Danske Bank	Consensus	Previous
-	EUR	Moody's may publish Portugal's debt rating					
-	EUR	Fitch may publish Finland's debt rating					
-	EUR	Fitch may publish Greece's debt rating					
7:00	JPY	Consumer confidence	Index	Aug		41.5	41.3
9:30	SEK	Current account	SEK bn	2nd quarter			64.3
10:00	NOK	Unemployment	%	Aug	3.2%	3.1%	3.2%
10:00	ITL	GDP, final	q/q y/y	2nd quarter		0.0% 0.7%	0.0% 0.7%
10:30	GBP	PMI construction	Index	Aug		46.5	45.9
11:00	EUR	PPI	m/m y/y	Jul		-2.9% 0.1%	-3.1% 0.7%
14:30	USD	Non farm payrolls	1000	Aug	175	180	255
14:30	USD	Average hourly earnings, non-farm	m/m y/y	Aug	0.2% 2.5%	0.2% 2.5%	0.3% 2.6%
14:30	USD	Unemployment	%	Aug	4.8%	4.8%	4.9%
14:30	USD	Manufacturing payrolls	1000	Aug	0	-5	9
14:30	USD	Private payrolls	1000	Aug		178	217
14:30	USD	Average weekly hours	Hours	Aug		34.5	34.5
14:30	USD	Trade balance	USD bn	Jul		-43.0	-44.5
16:00	USD	Durable goods orders, final	m/m	Jul			4.4%
16:00	USD	Factory orders	m/m	Jul		1.9%	-1.5%
16:00	DKK	Currency reserves	DKK bn	Aug			449.9
16:00	USD	Capital goods orders, non-defense ex air, final	%	Jul			1.6%
19:00	USD	Fed's Lacker (non-voter, hawkish) speaks					

Source: Danske Bank Markets

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