

Weekly Focus

Focus on US jobs report and ISM indices

Market movers ahead

- In the US, we are due to get several important data releases, which will be key for the Fed's decision whether or not to hike later this year. In particular, focus is on the jobs report and ISM indices for September.
- The Presidential election campaign has intensified since the first TV debate this week and markets will follow the developments in polls closely.
- In China, we get official PMI's and FX reserves figures for September.
- In Europe, we get ECB minutes, where focus will be on the signals from the discussion on how the ECB intends to cope with the self-imposed technical restrictions to its bond purchases. Also, euro area retail sales and German factory orders are due for release.
- In the UK, focus remains on the economic impact of the UK's EU vote. We get PMIs for September, production figures for August and the NIESR GDP estimate for Q3.
- In Denmark, the FX reserves data for September are due. We have not seen a large Brexit-related inflow, so the FX reserve has been flat since June. Although EUR/DKK has moved higher, it is still under the central rate.

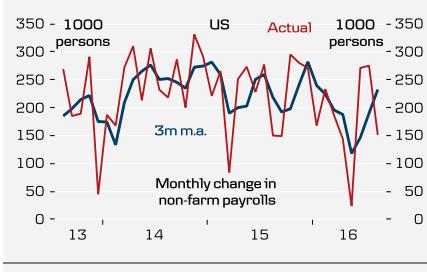
Global macro and market themes

- OPEC supply cut is not a game changer.
- Protectionism and geopolitics pose risks for global growth.
- Core interest rates in Europe to stay depressed despite higher HICP inflation.
- Europe's banking woes are not a EUR negative and we expect EUR/USD to remain in a narrow 1.10-1.14 range.
- We recommend a structurally underweight position in equities versus cash.

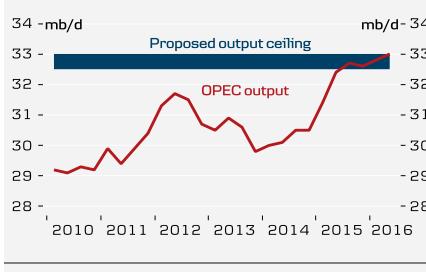
Focus

- Research China: Recovery set to lose steam in 2017*, 26 September.
- Emerging Markets Briefer: September 2016*, 30 September.

Did the strong US employment growth continue in September?



OPEC's cut is close to current levels



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Financial views

Major indices

	30-Sep	3M	12M
10yr EUR swap	0.25	0.30	0.70
EUR/USD	112	112	118
ICE Brent oil	47	49	54
	30-Sep	6M	12-24M
S&P500	2151	-8 +3%	0.5%

Source: Danske Bank

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Market movers

Global

- In the **US** next week, we have several important data releases, which will be key for the Fed's decision whether or not to hike later this year. Most importantly, we get the September **jobs report** on Friday. Employment growth slowed in August as expected after two months with very strong jobs growth. This leaves average jobs growth over the summer at a solid 230,000 per month. However, one has to take into account that the strong employment growth came after a very weak spring. In September, signals on employment growth are mixed. Claims figures still suggest employment growth well above 200,000, while the Markit PMI employment index suggests job growth just above 100,000. We estimate non-farm payrolls increased 160,000 in September. The unemployment and underemployment rates have moved sideways for some time, suggesting that there still might be some slack left in the labour market. This is one of the reasons we believe the Fed will not hike in 2016 (see *Presentation US: 10 reasons why we believe the Fed will not hike this year*, 14 September). We estimate the unemployment rate was unchanged at 4.9% in September. Average hourly earnings have also moved sideways throughout 2016, which is another indication that the labour market still has some slack left. We estimate average hourly earnings increased 0.3% m/m in September, implying a wage inflation rate of 2.6% y/y.

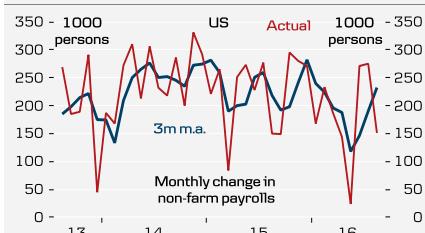
Next week we get September figures for both the **ISM manufacturing index** (Monday) and the **ISM non-manufacturing index** (Wednesday). Both indices declined sharply in August, indicating that growth has also disappointed in Q3. Regarding the manufacturing sector, regional indices and the Markit PMI manufacturing index for September have declined, suggesting that the ISM manufacturing index could move even lower in September from the level of 49.4 in August. Though the Markit manufacturing PMI index declined to 51.4 in September, it is still above the 50 threshold suggesting growth. We think there might be a risk that the ISM index declined 'too much' in August and there could be a (small) upward correction in September. We estimate the ISM manufacturing index increased slightly to around 50.0 in September, which is, however, still a low level.

The ISM non-manufacturing index fell to 51.4 in August, which is the lowest level since the crisis. Since the US service sector has been the main (only) driver of growth, it will be very important to see whether this low level was just a 'one off' or whether the signals of weak growth in the service sector persist. The Markit PMI services index, which has painted a more negative picture of the service sector than the ISM index, increased slightly in September. This supports that the ISM non-manufacturing index moved a bit higher in September. We also think the sharp decline in August in the ISM non-manufacturing index was too big and hence estimate the index increased to 52.5 in September.

Like this week, next week will also be heavy regarding Fed communication, as seven different FOMC members are scheduled to speak at the time of writing, including the two board members Stanley Fischer (voter, neutral) and Lael Brainard (voter, dovish).

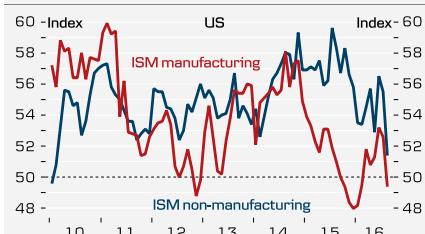
- In the **euro area**, the **retail sales** figures are released on Wednesday. The retail sales figures have been solid on a yearly basis; however, this needs to be seen in the light of the low oil price from 2015. Looking forward, we expect gradually decreasing retail figures for the euro area as the continual improvement in the labour market has plateaued and the higher inflation will weaken the real wage. This is also reflected in the latest retail figure for Germany.

Jobs growth rebounded over the summer after slowdown in spring



Source: BLS

We don't expect ISMs to rebound sharply



Source: ISM

Retail sales growth is strong but declining



Source: Markit PMI, IFO, ZEW, Danske Bank Markets

On Thursday, we get data on German factory orders for August. The latest figure showed a 0.2% m/m increase in July. Despite the German ifo expectations in August reaching a five-month low, the German PMI order-inventory balance climbed again in August. Thus, we expect solid German factory orders for August. Looking forward, we expect factory orders to continue rising in Q4 16 in line with strong ifo expectations and PMIs observed in September.

The account of the ECB meeting in September is also due to be released on Thursday. Focus here will be on the signals from the discussion on how the ECB intends to cope with the self-imposed technical restrictions to its bond purchases. Those restrictions currently reduce the field of eligible bonds for purchase, especially German bonds, and Mario Draghi has assigned committees to evaluate the options for the ECB. Although it has not done it yet, the ECB has said it is ready to extend QE beyond March 2017 if inflation is not on a sustainable path towards 2%. However, it may need to ease restrictions sooner in order not to fall short of available bonds to buy; hence, signals on how it intends to do so are of interest.

German industrial production data for August is due for release on Friday. The July figures disappointed with a 1.5% m/m decline, significantly below expectations. However, in line with PMI figures and expectations for factory orders for Germany, we expect growth in August industrial production. As with the factory orders, the industrial production is expected to remain strong late in 2016.

- In the **UK**, focus remains on the economic impact of the UK's EU vote and UK politics. We have several important data releases next week. In terms of hard data releases, we get production data for August on Friday. Manufacturing production fell 0.9% m/m in July and has fallen three months in a row after the big increase in April. It is difficult to say whether the falls have been due to Brexit, as production fluctuates a lot. As PMI manufacturing has rebounded and due to the weaker GBP, we could soon see a rebound in actual production. In terms of surveys, we are due to get the September PMIs next week. On Monday, we get PMI manufacturing, on Tuesday PMI construction and on Wednesday PMI service, which is the most important of the three due to the importance of the service sector. The PMIs rebounded significantly in August after falling sharply in July just after the vote. As PMI services is back to the pre-vote level, we do not think it can go much higher and think it will stay around the current level of 52.9. This level suggests that the service sector continues to grow at a decent pace even after the EU vote. We also get the NIESR GDP estimate for September on Friday, which will give us a good indication about how the UK performed in Q3 in terms of GDP growth.

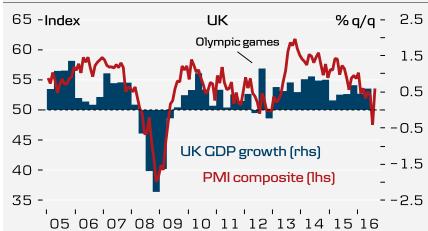
The Conservative Party Conference begins on Sunday – perhaps we will get more information about what to expect of Brexit when Prime Minister Theresa May (or other ministers) are speaking at the conference.

- In **China**, we get the official PMIs for September tomorrow. We expect the PMIs to support our view that the moderate recovery continues. Next year, we expect to see some moderation in the recovery (see also *Research China: Recovery set to lose steam in 2017*, 26 September). On Friday, the FX reserves figures for September are due. It will be interesting to see whether or not the higher offshore rates in mid-September related to intervention. In terms of CNY, we look for a continuation of the weakening trend of the CNY, still in a controlled fashion.

Factory orders set to increase until the end of 2016

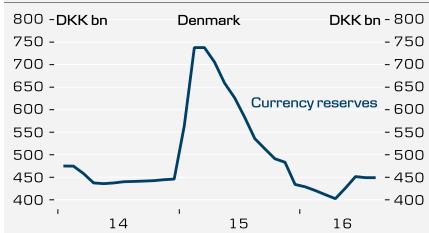


Next week will give us more information about economic development in the UK in Q3



Scandi

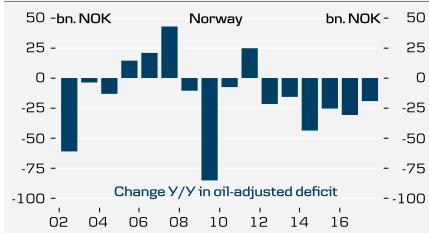
- In **Denmark** the Nationalbank will publish FX reserves numbers for September on Tuesday. The reserves have been relatively flat since June, and although the krone has weakened against the euro in September, it is still trading below the central parity rate. Wednesday brings housing prices for July from Statistics Denmark. July was the first month after Brexit and saw Danish yields hit new record lows, but uncertainty in the wake of the UK vote may have left some homebuyers worried and a little more cautious, so it will be interesting to see what the net result is. Figures for bankruptcies and repossessions in September follow on Thursday, while industrial production data for August round off the week on Friday.
- In **Sweden**, the week ahead contains more data, which will give us insight into the current state of affairs. Importantly, we receive industrial orders and production (Wednesday, at 09:30 CEST), when we would appreciate seeing a stronger trend but fear a moderation of growth rates. This is troubling given that Q3 data thus far has been outright weak – weaker than even we considered when constructing our latest forecast. Apart from industrial data, we also receive PMI from both manufacturing and services (Monday and Wednesday at 08:30 CEST respectively) but we must again underline that these are weak and unstable indicators of the Swedish economy.
- In **Norway** the government will unveil its budget for 2017 on Thursday. The expansionary fiscal policy of the past two years has been a key factor in the apparent turnaround in the Norwegian economy. This year, for example, will see an estimated fiscal stimulus of 1.1% of GDP, more than our growth forecast of 1%. In other words, growth this year would have been negative had fiscal policy been neutral. Now that growth is picking up, there is reason to expect a somewhat reduced fiscal stimulus next year. On the other hand, 2017 is an election year, and the opposition is currently making a big deal of the government doing too little to combat unemployment. With LFS unemployment now at a 20-year high, we therefore expect that the budget for 2017 will still be relatively expansionary. We forecast a fiscal stimulus of around 0.6% of GDP, or NOK 20bn, which would be more or less in line with the assumptions made by Norges Bank in the September monetary policy report and would not therefore impact on interest rate expectations. The week also brings PMI data for September on Monday and industrial production figures for August on Friday. Both series have shown a clear rise in industrial activity since Easter but have been more volatile of late. With much weaker headwinds from oil-related industries and further strong activity in mainland manufacturing, we expect the underlying positive trend to continue. We reckon that industrial production will climb 0.3% m/m in August, which would point to a substantial increase in industrial production – and so mainland GDP – in Q3.

FX reserves have stabilised

Source: Statistics Denmark

Stronger industrial data set to balance weak retail sales and trade balance

Source: SCB. Danske Bank calculations

Highly expansionary fiscal policy

Source: Macrobond, Danske Bank Markets

Market movers ahead

Global movers			Event		Period	Danske	Consensus	Previous
Mon	03-Oct	10:30	GBP	PMI manufacturing	Index	Sep	52.0	53.3
		16:00	USD	ISM manufacturing	Index	Sep	50.0	50.4
Tue	04-Oct	5:30	AUD	Reserve Bank of Australia rate decision	%		1.50%	1.50%
Wed	05-Oct	-	PLN	Polish central bank rate decision	%		1.50%	1.50%
		10:30	GBP	PMI services	Index	Sep	52.9	52.9
		11:00	EUR	Retail sales	m/mly/y	Aug	-0.3%... -0.2% 1.5%	1.1% 2.9%
		14:15	USD	ADP employment	1000	Sep	165	177
		16:00	USD	ISM non-manufacturing	Index	Sep	52.5	53.0
Thurs	06-Oct	8:00	DEM	Factory orders	m/mly/y	Aug	0.8%... 0.3% 1.7%	0.2% -0.7%
		13:30	EUR	ECB account of the monetary policy meeting				
Fri	07-Oct	-	CNY	Foreign exchange reserves	USD bn	Sep	31825.0	31852.0
		14:30	USD	Non farm payrolls	1000	Sep	160	170
		14:30	USD	Unemployment	%	Sep	4.9%	4.9%
		14:30	USD	Average hourly earnings, non-farm	m/mly/y	Sep	0.3% 2.6%	0.2% 2.6%
		16:30	USD	Fed's S.Fischer (voter, neutral) speaks				
		22:00	USD	Fed's Brainard (voter, dovish) speaks				

Scandi movers

Mon	03-Oct	9:00	NOK	PMI manufacturing	Index	Sep	52.1	50.8
Tue	04-Oct	16:00	DKK	Currency reserves	DKK bn	Sep		449.8
Wed	05-Oct	9:30	SEK	Industrial production s.a.	m/mly/y	Aug	0.5% 0.5%	1.1% 4.2%
Fri	07-Oct	8:00	NOK	Manufacturing production	m/mly/y	Aug	...0.3% -0.5% -1.2%	3.7% -0.6%

Source: Bloomberg, Danske Bank Markets

Global Macro and Market Themes

Oil, China and the downside risk to growth

Oil prices have risen sharply this week as OPEC on Wednesday said that its members agreed to cut output to around 32.5-33.0m bpd from the current level of 33.2m bpd. We believe that any sustained rise in oil prices is likely to be short-lived. Firstly, the proposed cut would be a small cut in supply (see Chart 1). Secondly, there is a risk that the OPEC countries will actually be cautious about handing market shares back to, for example the US, when the final agreement has to be reached on 30 November at the official OPEC meeting. If the market starts to doubt whether the deal will be carried out, oil prices could quickly reverse. Expect oil prices to stay highly volatile near-term, although moving higher over the medium term.

Data for the global industrial (IP) cycle in September in the form of eurozone manufacturing PMI, German IFO and China's Caixin PMI manufacturing have come out better than expected, supporting the case for a moderate recovery. It appears that relief that Brexit did not have a more damaging effect on sentiment is currently supporting investments and consumption in the eurozone. In China, we expect the recovery to hold up during most of 2016. However, we expect it to lose steam in 2017 as the fiscal stimulus fades, with the biggest boost to construction likely to fade as well (see Chart 2). Worryingly, the debt problem in China continues to worsen with the recent sharp credit creation only kicking the can further down the road (see Chart 3). US data are mixed, supporting our case that growth in Q3 is not as strong as many (including the Fed) believe.

As such, global growth is currently moving sideways, but we see risks skewed to the downside, with political uncertainty in the US and Europe and rising protectionism potentially weighing on sentiment. This week, the World Trade Organisation (WTO) revised down its 2016 forecast for world trade to 1.7% and just 1.8% in 2017. 2016 marks the first year in 15 years in which world trade will grow slower than GDP growth – a truly worrying sign. Rising geopolitical risks centred on the West's, particularly Europe's, relationship with Russia, Turkey and the Middle East could weigh on sentiment.

Key points

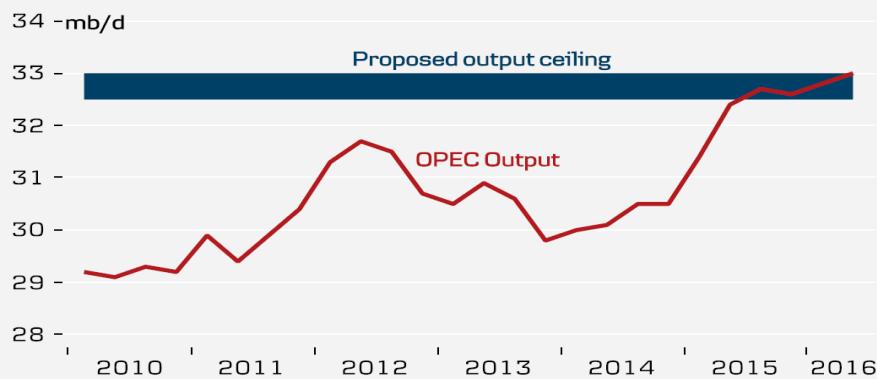
- OPEC supply cut is not a game changer.
- Protectionism and geopolitics pose risks for global growth.
- Core interest rates in Europe to stay depressed despite higher HICP inflation.
- Europe's banking woes are not a EUR negative; expect EUR/USD to remain in a narrow 1.10-1.14 range.
- We recommend a structurally underweight position in equities versus cash

Chart 2: China home sales to ease further – set to dampen construction into 2017



Source: Macrobond Financial

Chart 1: OPEC's cut is close to current levels



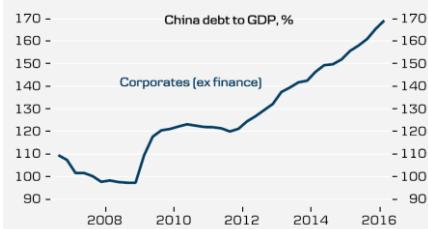
Source: Macrobond Financial

What does all this imply for markets? **We maintain our long-held view that interest rates will stay low for longer.** A gradual increase in oil prices will clearly support our call that CPI inflation in the eurozone will rise. On Friday, September HICP inflation rose to 0.4% from 0.2% and we expect inflation to reach 1% in December. Still, a lot of the expected near-term rise in CPI will be driven by base effects and we expect that the ECB will revise its forecasts for core inflation downward.

The current environment is neither very positive nor negative for the broad USD. We expect EUR/USD to be stuck in a tight range near-term in line with our 1M and 3M forecasts at 1.12. We view recent market turmoil regarding European banks, notably Deutsche Bank, as having mixed EUR impacts. Deleveraging of non-eurozone assets by eurozone banks is a EUR positive while concerns about the potential negative impact on growth in the eurozone is a EUR negative. **Our highest conviction view among major currencies is that the British pound (GBP) will weaken a lot further.** The uncertainty with respect to when the UK will trigger Article 50 and the terms at which the country will withdraw from the EU will mitigate capital inflows to the country, in our view. This will weaken GBP given the UK's large current account deficit. We expect EUR/GBP to edge substantially higher to 0.92 in 6M.

We believe the global environment has negative implications for risky assets, including equities. The risk of set-backs is high due to stretched valuations and weak earnings. We recommend a structurally underweight position in equities versus cash.

Chart 3: China needs to deleverage in the corporate sector



Source: Macrobond Financial

Chart 4: The energy drag will turn into a tailwind in Eurozone



Source: Eurostat, Danske Bank

Global market views

Asset class	Main factors
Equities Short term (0-1 month): sell on rallies	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 provides a cushion for a setback, hence, our structurally underweight position in equities vs. cash. We have moved our short-term stance to sell on rallies.
Medium term (three-six months): underweight equities vs cash	
Bond market Core yields: low for even longer with risk of steeper curve 2y10y US-euro spread: wider but not before we see Fed hikes Peripheral spreads: ECB support Credit spreads: neutral	We expect the ECB to announce in Q4 that it will prolong the QE programme by another six months. Fed on hold until 2017. Risk of earlier hike is evident. Market priced too soft. Long and sell-off to impact long EUR rates. QE buying, bond scarcity and hunt for yield means further tightening. But politics remains an unknown. ECB keeping spreads contained.
FX EUR/USD - 1.10-114 range near term, then higher EUR/GBP - further GBP weakness in next few months USD/JPY - neutral with short-term risks skewed slightly to the downside EUR/SEK - to move gradually lower over coming months EUR/NOK - short-term risks skewed to the upside	Valuations and CA differential support cross in the medium to long term; short-term downside risks from relative rates. Political uncertainty and financial account flows to send cross higher. Expect near-term stabilisation in the 100-103 range. To move gradually lower on relative fundamentals and valuation. Latest move lower on Norges Bank and oil seems excessive. Risk of a spike higher near term before moving lower in 2017.
Commodities Oil price - uncertainty about details of OPEC deal Metal prices - recovery in Chinese construction fading in 2017 Gold price - bouncing on repricing of Fed and other major central banks Agriculturals - support from disruptive weather, higher oil price	OPEC has lost leverage over oil price; demand concerns limiting upside for prices. Consolidation in mining industry puts a floor under prices, awaiting support from higher global economic growth. 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 – recovery down a gear

The housing market picked up in Q2, with the latest figures from Statistics Denmark showing that both house and apartment prices climbed a seasonally adjusted 0.8% q/q. This means that house prices have climbed 3.8% in the past year and apartment prices 8%. The rise in prices has been driven by a combination of the general improvement in the Danish economy and extremely low interest rates.

The latest data for Q3, on the other hand, suggest that the recovery in the Danish economy has shifted back down a gear. Statistics Denmark's jobless data for August showed a rise in gross unemployment to 4.3%, an increase of 1,400 people. Coupled with the fall in employment in July, there are now several signs that the recovery has slowed. That is not to say that the upturn has come to an end – consumers are still benefiting from rising wages, low interest rates and rising housing prices – but we have now had a clutch of data in a short space of time suggesting a loss of momentum.

Sweden – flukes, J-curves and seasonals

Of the data out during the past week, none was as eye-catching as the trade balance, which weakened from a slight surplus (SEK0.5bn) to the biggest deficit (SEK10.3bn) on record. Our take is that this is a fluke, soon to be revised or reversed. However, when dissecting data and applying all kinds of weird statistical filters (i.e. a fair amount of data mining), there seems to be an underlying weakening, driven by imports (that increased dramatically in the actual outcome) but even more so by seasonally weak exports (that were more or less unchanged in actual terms). This is quite surprising given the apparent stabilisation of the world economy and a nominally weak SEK. Another possible explanation to the weak trade balance is J-curve patterns, which might have dominated the data given the sustained swings in the SEK but this does little to explain weak exports.

We have also received upbeat consumer and business confidence surveys as well as an unexpectedly weak retail sales outcome. Hence, the net impression of the past week's data is one of continued momentum loss – perhaps even a bit more so than we would like to see.

Norway – labour market improving

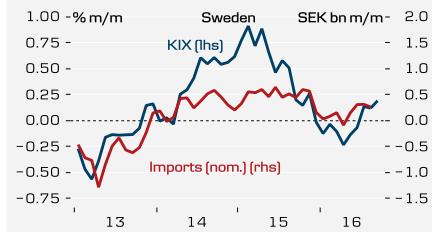
After last week's LFS data from Statistics Norway showed the highest level of unemployment for more than 20 years, it was reassuring that the NAV figures for September still show the labour market stabilising or even improving. Registered unemployment fell to 2.8% and the number of jobless also fell for the fourth month in a row. The number of new vacancies is also continuing to grow relatively quickly and has been at its highest levels for four years in recent months. All this confirms the impression we have from recent data that the Norwegian economy has bottomed out and that Norges Bank's indication that interest rates will not fall further seems to be right. We believe that unemployment has peaked but it may be some time before it comes down much, due to increases in both productivity growth and the supply of labour. This means that it will also be some time before there is a need to raise interest rates

Fall in unemployment takes a breather



Source: Statistics Denmark

Higher KIX, i.e. weak SEK, means stronger imports?



Source: Statistics Sweden. Danske calculations

Unemployment falling



Source: Macrobond Financial

Latest research from Danske Bank Markets

29/9 Flash Comment - Polish government reshuffle, limited market impact

We do not expect yesterday's government reshuffle to have any major market impact but the budget for 2017 will be a key focus for the market in the autumn.

26/9 Research: China outlook - recovery set to lose steam in 2017

In this short update, we provide our main views on the Chinese economy and a chart pack on growth indicators and markets.

Macroeconomic forecast

Macro forecast, Scandinavia

	Year	GDP ¹	Private cons. ¹	Public cons. ¹	Fixed inv. ¹	Stock build. ²	Ex-ports ¹	Im-ports ¹	Infla-tion ¹	Unem-ploym. ³	Public budget ⁴	Public debt ⁴	Current acc. ⁴
Denmark	2015	1.0	2.3	-0.7	1.1	-0.3	0.3	0.0	0.5	4.6	-1.7	40.4	7.0
	2016	1.1	1.6	1.0	1.0	-0.2	0.6	0.7	0.3	4.2	-0.6	38.3	6.4
	2017	1.7	1.7	0.7	2.9	0.3	2.8	3.5	1.3	4.0	-1.2	36.8	6.6
Sweden	2015	4.1	2.7	2.5	7.2	0.2	5.6	5.5	0.0	7.4	-0.1	43.4	4.8
	2016	3.2	2.2	4.0	7.3	0.2	2.9	5.0	0.9	6.9	-0.6	41.8	4.8
	2017	1.7	1.1	2.1	2.3	0.1	3.0	3.4	0.8	6.8	-0.5	40.5	5.0
Norway	2015	1.0	2.0	1.9	-4.2	0.3	3.4	1.1	2.1	3.0	-	-	-
	2016	1.0	1.8	2.5	-1.3	0.0	-1.0	0.5	3.2	3.3	-	-	-
	2017	2.3	2.2	3.0	-1.4	-0.2	1.3	1.9	2.2	3.3	-	-	-

Macro forecast, Euroland

	Year	GDP ¹	Private cons. ¹	Public cons. ¹	Fixed inv. ¹	Stock build. ²	Ex-ports ¹	Im-ports ¹	Infla-tion ¹	Unem-ploym. ³	Public budget ⁴	Public debt ⁴	Current acc. ⁴
Euroland	2015	1.9	1.7	1.4	2.9	-	6.1	6.1	0.0	10.9	-2.1	90.7	3.6
	2016	1.5	1.5	1.7	1.8	-	2.4	2.5	0.3	10.1	-2.0	90.2	3.7
	2017	1.1	0.9	1.1	0.9	-	3.3	3.1	1.3	9.8	-1.8	89.8	3.6
Germany	2015	1.5	1.9	2.8	1.1	-	4.6	5.0	0.1	4.6	0.7	71.2	8.8
	2016	1.7	1.3	3.6	1.8	-	3.0	2.9	0.3	4.3	0.2	68.6	8.5
	2017	1.4	1.2	1.4	0.9	-	3.4	3.3	1.5	4.2	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	1.4	2.3	-	0.9	2.2	0.4	10.0	-3.5	96.5	-1.1
	2017	0.7	0.7	1.1	0.9	-	2.8	2.5	1.4	9.8	-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	0.8	1.1	0.6	1.6	-	1.5	2.5	-0.1	11.5	-2.6	132.9	2.4
	2017	0.7	0.6	0.5	0.9	-	3.5	3.4	1.3	11.3	-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	2.8	3.0	0.5	3.3	-	5.4	5.2	-0.3	20.1	-4.0	100.5	1.5
	2017	1.5	1.4	0.8	1.6	-	3.8	3.5	1.7	19.6	-3.5	100.0	1.3
Finland	2015	0.2	1.5	0.4	0.7	-	-0.2	1.9	-0.2	9.4	-2.7	62.6	-0.4
	2016	0.8	1.5	0.0	3.5	-	0.5	1.0	0.4	8.9	-2.4	65.0	-0.5
	2017	1.0	0.7	-0.5	3.0	-	2.5	2.0	1.0	8.6	-2.4	67.0	0.0

Macro forecast, Global

	Year	GDP ¹	Private cons. ¹	Public cons. ¹	Fixed inv. ¹	Stock build. ²	Ex-ports ¹	Im-ports ¹	Infla-tion ¹	Unem-ploym. ³	Public budget ⁴	Public debt ⁴	Current acc. ⁴
USA	2015	2.4	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	1.8	2.6	0.9	0.2	0.3	2.4	3.3	0.8	5.0	-3.9	88.9	-5.5
	2017	0.7	1.4	0.0	-0.7	0.0	2.7	2.5	2.3	5.2	-2.9	88.3	-5.2

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

Financial forecast

Bond and money markets

		Key int. rate	3m interest rate	2-yr swap yield	10-yr swap yield	Currency vs EUR	Currency vs USD	Currency vs DKK
USD	30-Sep	0.50	0.84	0.98	1.41	112.1	-	664.7
	+3m	0.50	0.80	0.95	1.40	112.0	-	664.5
	+6m	0.50	0.95	1.05	1.60	114.0	-	652.9
	+12m	0.75	1.05	1.45	1.85	118.0	-	630.7
EUR	30-Sep	0.00	-0.30	-0.23	0.25	-	112.1	745.3
	+3m	0.00	-0.30	-0.22	0.30	-	112.0	744.3
	+6m	0.00	-0.30	-0.20	0.40	-	114.0	744.3
	+12m	0.00	-0.30	-0.15	0.70	-	118.0	744.3
JPY	30-Sep	-0.10	-0.04	-0.10	0.05	113.1	100.8	6.59
	+3m	-0.10	-	-	-	114.2	102.0	6.51
	+6m	-0.10	-	-	-	118.6	104.0	6.28
	+12m	-0.10	-	-	-	122.7	104.0	6.06
GBP	30-Sep	0.25	0.38	0.43	0.70	86.5	129.6	861.2
	+3m	0.10	0.19	0.40	0.80	88.0	127.3	845.7
	+6m	0.10	0.19	0.40	0.95	92.0	123.9	809.0
	+12m	0.10	0.20	0.45	1.20	90.0	131.1	826.9
CHF	30-Sep	-0.75	-0.75	-0.70	-0.30	108.3	96.6	688.3
	+3m	-0.75	-	-	-	109.0	97.3	682.8
	+6m	-0.75	-	-	-	112.0	98.2	664.5
	+12m	-0.75	-	-	-	115.0	97.5	647.2
DKK	30-Sep	0.05	-0.19	-0.03	0.53	745.3	664.7	-
	+3m	0.05	-0.20	-0.02	0.55	744.3	664.5	-
	+6m	0.05	-0.20	0.00	0.70	744.3	652.9	-
	+12m	0.05	-0.20	0.05	1.00	744.3	630.7	-
SEK	30-Sep	-0.50	-0.50	-0.44	0.62	962.5	858.4	77.4
	+3m	-0.50	-0.55	-0.50	0.60	930.0	830.4	80.0
	+6m	-0.50	-0.50	-0.50	0.65	930.0	815.8	80.0
	+12m	-0.50	-0.50	-0.50	0.85	910.0	771.2	81.8
NOK	30-Sep	0.50	1.12	1.21	1.47	904.2	806.5	82.4
	+3m	0.50	1.00	1.20	1.40	930.0	830.4	80.0
	+6m	0.50	0.90	1.20	1.50	910.0	798.2	81.8
	+12m	0.50	0.90	1.30	1.70	890.0	754.2	83.6

Equity Markets

Regional		Risk profile	Price trend	Price trend	Regional recommendations
	3 mth	3 mth	12 mth		
USA (USD)	Expensive valuation, weak earnings	Medium	-8 +3%	0-5%	Underweight
Emerging markets (local ccy)	Relative stronger GDP and EPS momentum to DM	Medium	-5 +5%	0-10%	Overweight
Japan (JPY)	JPY appreciation, negative EPS revisions	Medium	-8 +3%	0-5%	Underweight
Euro area (EUR)	Strong fundamentals, but unloved and underowned	Medium	-5 +5%	0-10%	Overweight
UK (GBP)	Supported by weak GBP, hit by Brexit	Medium	-8 +3%	0-5%	Underweight
Nordics (local ccy)	Fairly strong earnings	Medium	-5 +5%	0-10%	Overweight

Commodities

	30-Sep	2016				2017				Average	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2016	2017
NYMEX WTI	46	34	46	49	50	52	54	56	58	45	55
ICE Brent	47	35	47	49	50	52	54	56	58	45	55
Copper	4,853	4,672	4,731	5,000	5,100	5,200	5,300	5,400	5,500	4,876	5,350
Zinc	2,294	1,687	1,930	2,150	2,150	2,150	2,150	2,100	2,100	1,979	2,125
Nickel	10,660	8,537	8,885	10,500	10,700	10,900	11,100	11,300	11,500	9,655	11,200
Aluminium	1,633	1,516	1,584	1,650	1,750	1,800	1,850	1,900	1,950	1,625	1,875
Gold	1,336	1,183	1,260	1,325	1,325	1,300	1,275	1,250	1,225	1,273	1,263
Matif Mill Wheat (€/t)	162	157	159	154	158	161	159	159	159	157	160
Rapeseed (€/t)	380	359	370	380	390	400	400	400	400	375	400
CBOT Wheat (USd/bushel)	402	466	470	450	475	500	510	520	530	465	515
CBOT Corn (USd/bushel)	334	363	391	380	390	400	410	415	420	381	411
CBOT Soybeans (USd/bushel)	968	881	1,059	1,175	1,175	1,175	1,150	1,125	1,100	1,072	1,138

Source: Danske Bank Markets

Calendar

Key Data and Events in Week 40

During the week			Period	Danske Bank	Consensus	Previous
Sat 01	CNY	PMI manufacturing	Index	Sep	50.5	50.4
Sat 01	CNY	PMI non-manufacturing	Index	Sep		53.5
Sun 02	GBP	Conservative Party Conference begins				
Mon 03	USD	Total vechicle sales	m	Sep	17.4	16.91
Mon 03	JPY	Official reserves assets	USD bn	Sep		1256.1
Monday, October 3, 2016			Period	Danske Bank	Consensus	Previous
-	USD	Total vechicle sales	m	Sep	17.4	16.91
-	JPY	Official reserves assets	USD bn	Sep		1256.1
1:50	JPY	Tankan large manufacturers index [outlook]	Index	3rd quarter	7.0	6.0 6.0
1:50	JPY	Tankan large non-manufacturers index [outlook]	Index	3rd quarter	18.0	19.0 17.0
2:30	JPY	Nikkei Manufacturing PMI, final	Index	Sep		50.3
8:30	SEK	PMI manufacturing	Index	Sep	52.5	50.7
9:00	NOK	PMI manufacturing	Index	Sep	52.1	50.8
9:15	ESP	PMI manufacturing	Index	Sep	51.5	51.0
9:45	ITL	PMI manufacturing	Index	Sep	50.2	49.8
9:50	FRF	PMI manufacturing, final	Index	Sep	49.5	49.5
9:55	DEM	PMI manufacturing, final	Index	Sep	54.3	54.3
10:00	EUR	PMI manufacturing, final	Index	Sep	52.6	52.6
10:30	GBP	PMI manufacturing	Index	Sep	52.0	53.3
15:45	USD	Markit manufacturing PMI, final	Index	Sep	51.4	51.4
16:00	USD	Construction spending	m/m	Aug	0.3%	0.0%
16:00	USD	ISM manufacturing	Index	Sep	50.4	49.4
16:00	USD	ISM prices paid	Index	Sep	53.5	53.0
18:00	EUR	ECB's Mersch speaks in Luxembourg				
Tuesday, October 4, 2016			Period	Danske Bank	Consensus	Previous
5:30	AUD	Reserve Bank of Australia rate decision	%	1.50%	1.50%	1.50%
7:00	JPY	Consumer confidence	Index	Sep	41.8	42.0
10:30	GBP	PMI construction	Index	Sep	49.0	49.2
11:00	EUR	PPI	m/m/y/y	Aug	-2.1% 0.0%	-2.8% 0.1%
12:50	EUR	ECB's Praet Speaks in Madrid				
14:05	USD	Fed's Lacker [non-voter, hawkish] speaks				
16:00	DKK	Currency reserves	DKK bn	Sep		449.8

Source: Danske Bank Markets

Calendar – continued

Wednesday, October 5, 2016			Period	Danske Bank	Consensus	Previous
-	PLN	Polish central bank rate decision	%		1.50%	1.50%
1:50	USD	Fed's Evans (non-voter, dovish) speaks				1.50%
2:30	AUD	Retail sales	m/m	Aug	0.2%	0.0%
2:30	JPY	Markit PMI services	Index	Sep		49.6
8:30	SEK	PMI services	Index	Sep	55.0	53.2
9:00	DKK	House prices	m/m/y/y	Jul		
9:15	ESP	PMI services	Index	Sep	54.7	56.0
9:30	SEK	Industrial production s.a.	m/m/y/y	Aug	0.5% 0.5%	1.1% 4.2%
9:30	SEK	Service production	m/m/y/y	Aug	0.3% 4.5%	0.8% 5.3%
9:30	SEK	Industrial orders	m/m/y/y	Aug		4.7% 5.2%
9:45	ITL	PMI services	Index	Sep	52.0	52.3
9:50	FRF	PMI services, final	Index	Sep	54.1	54.1
9:55	DEM	PMI services, final	Index	Sep	50.6	50.6
10:00	EUR	PMI composite, final	Index	Sep	52.6	52.6
10:00	EUR	PMI services, final	Index	Sep	52.1	52.1
10:30	GBP	PMI services	Index	Sep	52.0	52.9
10:30	GBP	PMI composite	Index	Sep	52.2	53.6
11:00	EUR	Retail sales	m/m/y/y	Aug	-0.3% ...	-0.2% 1.5%
13:00	USD	MBA Mortgage Applications	%			-0.7%
14:15	USD	ADP employment	1000	Sep	165	177
14:30	USD	Trade balance	USD bn	Aug	-41.0	-39.5
15:30	USD	Fed's Kashkari (non-voter, dovish) speaks				
15:45	USD	Markit service PMI, final	Index	Sep		51.9
15:45	USD	Markit composite PMI, final	Index	Sep		52.0
16:00	USD	Factory orders	m/m	Aug		-0.5%
16:00	USD	Capital goods orders, non-defense ex air, final	%	Aug		0.6%
16:00	USD	ISM non-manufacturing	Index	Sep	52.5	51.4
16:00	USD	Durable goods orders, final	m/m	Aug		0.0%
16:30	USD	DOE U.S. crude oil inventories	K			-1882
19:00	USD	Fed's Lacker (non-voter, hawkish) speaks				
Thursday, October 6, 2016			Period	Danske Bank	Consensus	Previous
-	NOK	The government will unveil the budget for 2017				
-	EUR	ECB's Coeure speaks in Washington				
2:30	AUD	Trade balance	AUD m	Aug	-2300	-2410
8:00	DEM	Factory orders	m/m/y/y	Aug	0.8% ...	0.3% 1.7%
9:00	DKK	Forced sales (s.a.)	Number	Sep		0.2% -0.7%
9:00	DKK	Bankruptcies (s.a.)	Number	Sep		
9:15	CHF	CPI	m/m/y/y	Sep	0.2% 0.0%	-0.1% -0.1%
9:30	SEK	Average house prices	SEK m	Sep		2.964
13:30	EUR	ECB account of the monetary policy meeting				
14:30	USD	Initial jobless claims	1000		255	254

Source: Danske Bank Markets

Calendar – continued

Friday, October 7, 2016			Period	Danske Bank	Consensus	Previous
-	EUR	Moody's may publish Italy's debt rating				
-	EUR	ECB's Draghi speaks in Washington				
-	EUR	ECB's Coeure speaks in Washington				
-	CNY	Foreign exchange reserves	USD bn	Sep	31825.0	31852.0
2:00	JPY	Labor cash earnings	y/y	Aug	0.4%	1.2%
7:00	JPY	Leading economic index, preliminary	Index	Aug	101.6	100.0
8:00	DEM	Industrial production	m/m y/y	Aug	1.0% ...	1.0% 0.3%
8:00	NOK	Manufacturing production	m/m y/y	Aug	-0.3%	-0.5% -1.2%
8:00	NOK	Industrial production	m/m y/y	Aug		3.7% -0.6%
8:45	FRF	Industrial production	m/m y/y	Aug	0.7% 1.2%	-0.6% -0.1%
9:00	DKK	Industrial production	m/m	Aug		5.5% 0.5%
9:30	SEK	Budget balance	SEK bn	Sep		1.9%
9:30	GBP	Halifax house prices	m/m 3Ms/YoY	Sep	0.0% 5.9%	26.9
10:30	GBP	Industrial production	m/m y/y	Aug	0.1% 1.3%	-0.2% 6.9%
10:30	GBP	Manufacturing production	m/m y/y	Aug	0.4% 0.9%	0.1% 2.1%
10:30	GBP	Trade balance	GBP mio.	Aug	-4000	-4502
14:30	USD	Non farm payrolls	1000	Sep	160	170
14:30	USD	Unemployment	%	Sep	4.9%	4.9%
14:30	USD	Average hourly earnings, non-farm	m/m y/y	Sep	0.3% 2.6%	4.9%
14:30	USD	Private payrolls	1000	Sep	140	165
14:30	USD	Manufacturing payrolls	1000	Sep	0	-3
14:30	USD	Average weekly hours	Hours	Sep		34.4
14:30	CAD	Net change in full time employment	1000	Sep		34.3
16:00	GBP	NIESR GDP estimate	q/q	Sep		52.2
16:30	USD	Fed's S.Fischer (voter, neutral) speaks				0.3%
18:45	USD	Fed's Mester (voter, hawkish) speaks				
21:00	USD	Fed's George (voter, hawkish) speaks				
21:00	USD	Consumer credit	USD bn	Aug	16.8	17.7
22:00	USD	Fed's Brainard (voter, dovish) speaks				

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Source: Danske Bank Markets

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