

Yield Outlook

Inflation = higher rates and yields

- We expect US rates and yields to continue to tick up over the next 3-6 months as the US recovery gains speed, inflation expectations and real interest rates continue to rise and markets really begin to discuss the timing of Fed QE tapering.
- 10Y US yields look set to hit 2.0% on a 6M horizon and 2.2% 12 months from now. While we expect no US rate hikes for the next two years, the market could probably begin to speculate with a vengeance in the Fed starting to hike as early as H2 22.
- The Fed will probably begin to sound slightly less dovish at the FOMC meeting in June or September 2021.
- We expect reopening to come to the eurozone within the next three months. With higher inflation and inflation expectations, the ECB is likely to ‘normalise’ the pace of buying under its Pandemic Emergency Purchase Programme (PEPP) at its June meeting. That is probably also when the market will begin to discuss what QE purchases could look like in 2022.
- We expect 10Y Bund yields to edge up a modest 10bp to -0.1% over the next three months and to increase a further 40bp to 0,3% on a 12M horizon.
- While we do not expect the ECB, the BoE or the Swedish Riksbank to change policy rates over the next two years, the Norwegian central bank, Norges Bank, looks set to hike in September 2021 and Danmarks Nationalbank will likely deliver a unilateral Danish rate cut of 10bp, taking key policy rates to -0.6%, within the next few months.

Links

[Forecast table](#)

[EUR forecast](#)

[USD forecast](#)

[GBP forecast](#)

[SEK forecast](#)

[DKK forecast](#)

[NOK forecast](#)

Central bank policy rates

Country	Spot	+3m	+6m	+12m
USD	0.25	0.25	0.25	0.25
EUR	-0.50	-0.50	-0.50	-0.50
GBP	0.10	0.10	0.10	0.10
DKK	-0.50	-0.60	-0.60	-0.60
SEK	0.00	0.00	0.00	0.00
NOK	0.00	0.00	0.25	0.50

10Y government bond yields

Country	Spot	+3m	+6m	+12m
USD	1.59	1.85	2.00	2.20
EUR	-0.20	-0.10	0.00	0.30
GBP	0.81	1.00	1.10	1.50
DKK	0.09	0.15	0.25	0.55
SEK	0.40	0.45	0.55	0.70
NOK	1.44	1.70	1.80	2.00

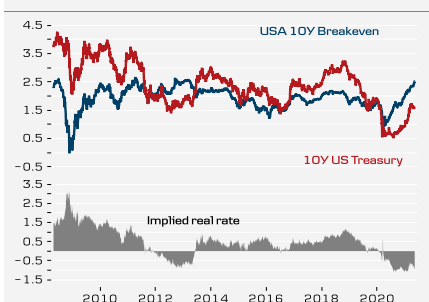
Note: EUR = Bunds

10Y swap rates

Country	Spot	+3m	+6m	+12m
USD	1.59	1.85	2.00	2.20
EUR	-0.20	-0.10	0.00	0.30
GBP	0.81	1.00	1.10	1.50
DKK	0.09	0.15	0.25	0.55
SEK	0.40	0.45	0.55	0.70
NOK	1.44	1.70	1.80	2.00

Source: Danske Bank for all three tables

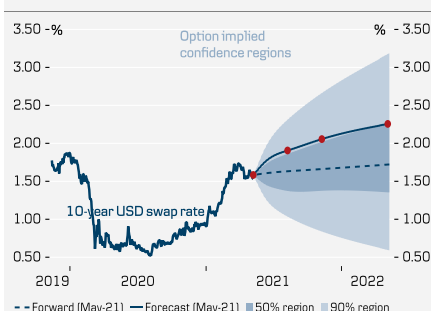
Rising inflations expectations and higher real yields translate into upward risk to US yields



Note: Past performance is not a reliable indicator of current or future results

Source: Macrobond Financial, Bloomberg, Danske Bank

10Y Treasury yields set to hit 2.2% on a 12M horizon



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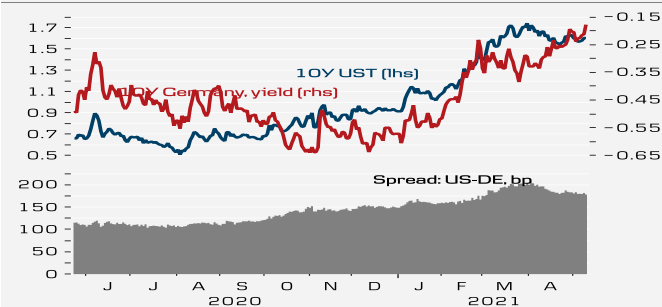
Source: Danske Bank, Macrobond Financial

Higher European yields and steeper curve

European yields have begun to rise again in the past month after stabilising in March. The yield on the benchmark 10Y Bund has increased by almost 15bp in the past month to stand at just below -0.2%. Worth noting here is that the US 10Y yield fell a little to 1.60% over the same period. Hence, the spread between German and US 10Y yields has narrowed from around 200bp to 180bp. Note, too, that the disappointing US jobs report for April, when just a quarter of the expected 1 million new jobs were created, only had a passing impact on the global fixed income market.

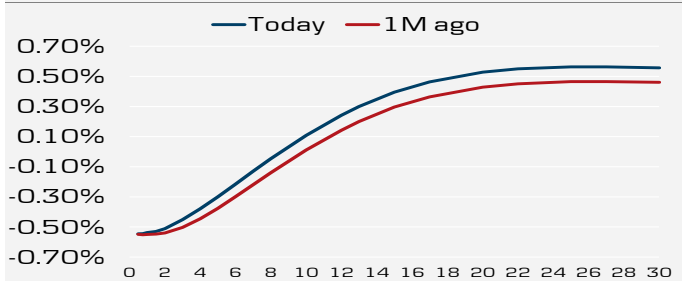
Hence, we are not far from our 3M target of -0.1% for the 10Y Bund yield. We keep our 3M forecast unchanged at -0.1%, but now expect 0% (-0.1%) on a 6M horizon and 0.3% (0.2%) 12 months from now. However, the main reason for our slightly higher yield expectations is that we have rolled the forecast by one month.

German yields continue to climb, whereas US yields are more stable



*Note: Past performance is not a reliable indicator of current or future results
Source: Danske Bank, Bloomberg, Macrobond Financial*

Curve has steepened (EUR 3M swaps)



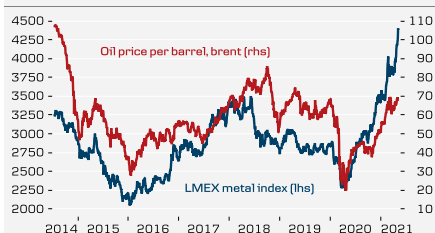
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Source: Danske Bank*

Inflation now theme no. 1

Inflation has raced up the agenda in recent months. As we wrote last month, we have long suspected that inflation would tick up in Q2 21, driven, not least, by base effects on the back of very low inflation 12 months ago when the pandemic first struck.

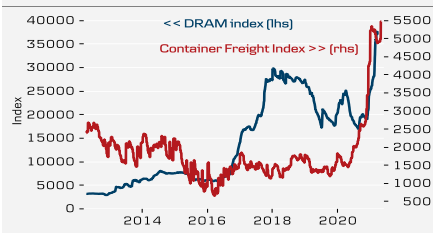
However, the Fed has been very focused on noting these are transitory base effects. This, along with the Flexible Average Inflation Targeting regime introduced by the Fed last autumn, which permits inflation to overshoot the 2% target for a while following a period of 'too low' inflation, means the Fed has so far elected to turn a blind eye to the current increase in inflation. Fed chair Powell repeated this message at the most recent policy meeting. As we discuss a little later, however, we estimate it is only a question of time before the Fed changes its tune.

Metal and oil prices surging



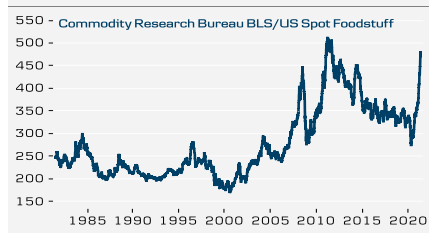
Note: Past performance is not a reliable indicator of current or future results
 Source: Danske Bank, Bloomberg, Macrobond Financial

Clear bottlenecks in freight and computer chips



Note: Past performance is not a reliable indicator of current or future results
 Source: Danske Bank, Bloomberg, Macrobond Financial

Food prices have also soared



Note: Past performance is not a reliable indicator of current or future results
 Source: Danske Bank, Bloomberg, Macrobond Financial

However, base effects will probably not be the only factor pushing inflation higher in the US and Europe in coming months. Commodity prices are soaring right now, with the surge broadly based across the spectrum and encompassing both exchange-traded and non-exchange-traded commodities.

Individual commodities are almost always driven by specific stories. Metals are in demand because the construction sector is benefiting from low interest rates and rising global housing prices. Demand has been extremely pronounced for computer chips in the past year as consumer electronics have become increasingly popular buys, while the auto industry in particular has experienced a sharply increasing need for computing power in their cars. Economies reopening has again spurred demand for oil at the same time as OPEC has been keeping production subdued.

Freight rates have risen on the back of a shift from consumption of services to the consumption of goods, which has led to a surge in demand for container freight. In the food sector, factors cited include climate change, rising energy prices and increasing demand for meat along with elevated consumption due to households increasingly eating at home in the past year rather than eating out – which apparently adds up to a greater overall consumption of food.

Common factors driving commodity prices higher

However, as essentially all commodity prices are rising at the same time, an obvious conclusion is that a series of common factors must also be driving prices higher.

Shift to consumption of goods from consumption of services has been significant

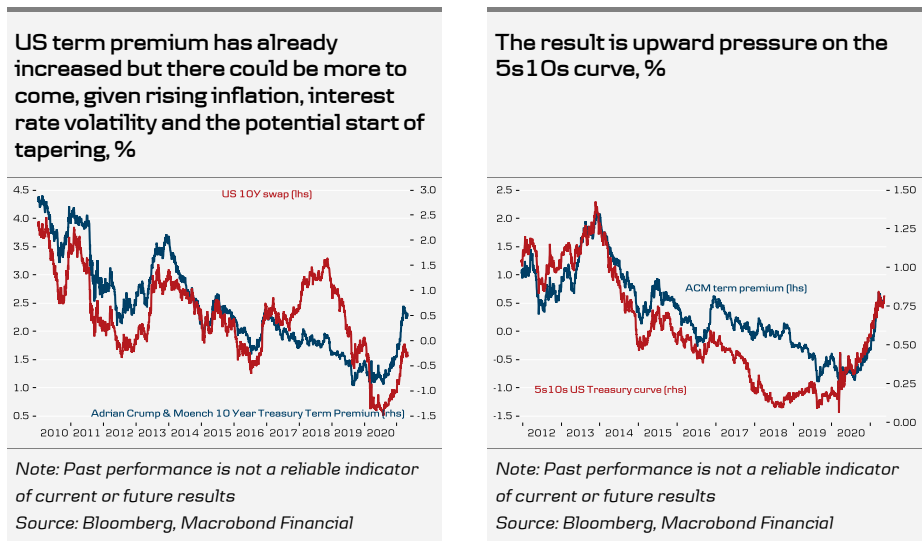
First up, as mentioned, has been the marked shift in consumption from services to goods during the pandemic, which has created numerous bottlenecks. We presume this effect will fade as the global economy reopens. The question then will be whether we might see the same bottleneck issues and accompanying price increases in the service industry in coming quarters.

Major easing of fiscal policy

Second, fiscal policy, especially in the US, has been eased significantly. This has kick-started demand, not least among US households, where low-income households with a high propensity to consume have also received significant transfers. Biden has launched three fiscal policy packages. First came the USD1,900bn COVID-19 relief package. Next came the ‘jobs package’, which includes major infrastructure projects. The final package is the ‘American families package’, which raises spending on education, pre-schools and hospitals and also provides paid parental leave and much else besides.

While the last two packages are partly financed through higher taxes – in contrast to the first relief package – they will weigh on US budgets for many years to come. This also means that the market, not just this year but for many years yet, will have to absorb very significant bond issues alongside the likely tapering of the Fed’s QE programmes in the course of 2022. This could also mean the market having to accept increased volatility and fluctuations in rates and yields. Combined with greater volatility in expected inflation, this tends to suggest the term premium could rise beyond what we have seen already. The purpose of QE is to push the term premium and hence long yields down and credit spreads in, so as to stimulate the economy.

The chart below-left shows the 10Y yield and the ACM term premium. As shown in the chart on the right, this is closely correlated with the steepness of the 5s10s curve.



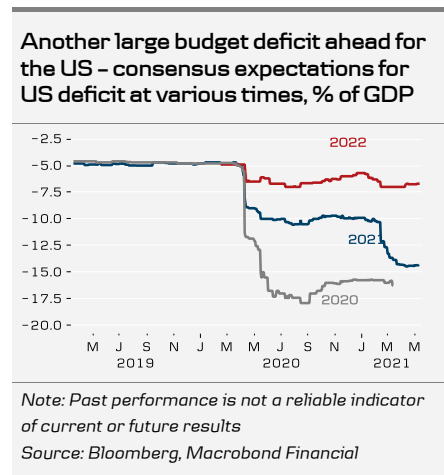
The chart on the right shows that market expectations – represented by Bloomberg’s consensus estimate – for the US budget deficit are approaching 15% of GDP this year, following a deficit of around 16% in 2020. A somewhat lower deficit was expected just a few months ago. In other words, the scale of Biden’s packages has been a negative surprise for the market. Hence, US fiscal policy is not only producing a stimulus effect, but also a sizeable deficit that has to be funded through the issuance of government securities.

Household savings buoyant

Third, household savings around the world are buoyant as a result of the limited opportunities to consume during the past 12 months of lockdowns. This money is now being rapidly channelled into consumption in tandem with the reopening.

Accommodative monetary policy

Fourth, global monetary policy has remained rather accommodative and there is little prospect of it tightening in coming quarters. While it is true that long yields have edged up, the rise is very modest relative to the nominal GDP growth outlook for both the US and Europe in the next few quarters. Financial conditions have therefore remained very accommodative overall.



What do rising commodity prices mean for rates and yields?

As far as the fixed-income market is concerned, an obvious line of questioning would be whether high commodity prices will result in a higher current rate of inflation, whether inflation expectations might be affected and, finally, how global central banks might react.

Higher current rate of inflation

We estimate the increases in commodity prices already seen will come to have a significant impact on the current rate of inflation, especially in the US. There is of course the direct effect from, for example, energy and food prices. But we are also seeing a great many reports from major companies like Procter and Gamble, Nestle, Coca Cola, etc., saying that rising commodity prices will now affect shop prices. Inflation could well deliver an upside surprise in both Europe and the US.

Market set to question Fed's hesitancy

In coming months, the market will probably question whether the US central bank is right about the increase in inflation being merely transitory. The next FOMC meeting is scheduled for 16 June and is one of the big meetings, with updated growth and inflation forecasts and the dots of Fed members.

The Fed will presumably repeat that it is 'data-based' rather than 'expectations-based' and note that there is still not full employment and that the increase in inflation is transitory. We therefore expect the Fed to repeat its mantra that it is still too early to discuss when QE tapering should start. However, that message is unlikely to sound very convincing to the market.

We would not be surprised if by June the dots would begin to indicate a majority of the 19 FOMC members contributing dots targeting higher interest rates in 2023. Seven members currently say 2023 and three 2022. In other words, the projection currently indicates no rate hikes before 2024. This could very well change to 2023. Nor is it improbable they will acknowledge that the increase in inflation is not merely transitory but reflects a pick-up in the economy.

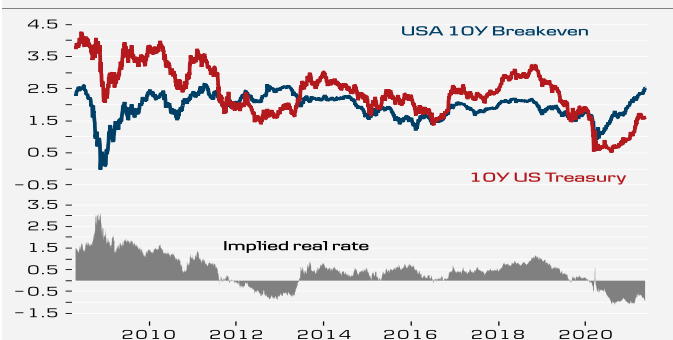
We therefore expect the Fed to officially kick off discussions about tapering QE at its September meeting. The Fed is currently purchasing USD120bn worth of Treasury bonds and mortgage-backed securities every month. When bond purchases were tapered in 2014, the process took a year. This time, however, we expect tapering to proceed more quickly. Nor is it a given that at least a year will pass from QE ending to rates being raised, as was the case in 2014-15.

Higher inflation expectations still a possibility

We can decompose nominal interest rates into an inflation component and a real interest rate component. We have done this in the figure below, with the inflation component being derived from the bond market (break-evens).

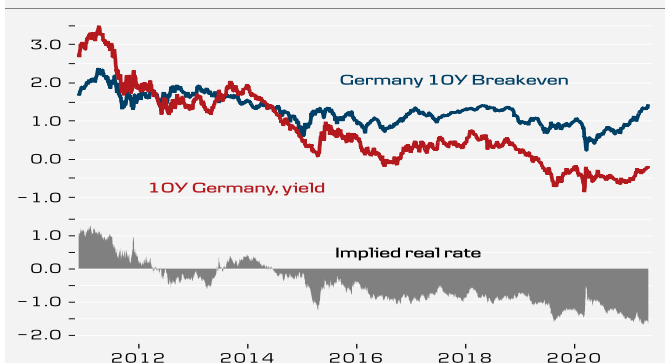
Unsurprisingly, inflation expectations in the markets have ticked up in 2021, with 10-year inflation expectations in the US rising by around 0.5 percentage points this year to now stand at 2.5%.

10Y inflation expectations now running at 2.50% in the US...



Note: Past performance is not a reliable indicator of current or future results
Source: Danske Bank, Bloomberg, Macrobond Financial

... and edging up in Germany



Note: Past performance is not a reliable indicator of current or future results
Source: Danske Bank, Bloomberg, Macrobond Financial

But German inflation expectations have also edged up this year – by around half a percentage point. Although markets do not expect the average inflation rate in the eurozone to reach 2% within the next ten years, this is a remarkable increase.

Note, though, that expected real yields have again fallen slightly. This is arguably due, not least, to the Fed's average inflation targeting and the Fed being in no hurry to scale down QE purchases. We have assumed that both real yields and inflation expectations will increase over the next 12 months.

10Y US yields set to move higher

All in all, we continue to expect long US yields to increase further. The big question is when that might happen. Our take from January and February is that fixed-income markets are in the vanguard at the moment, which means the yield increases we are pencilling in for the US three to six months from now could very well materialise much sooner. This could happen, for example, if the Fed changing its forward guidance as early as June becomes consensus. We have not changed our outlook on 10Y US Treasury yields this time around. We continue to look for an increase to 1.85% and 2.0% in three and six months, respectively. Looking 12 months ahead, we expect a 10Y Treasury yield of 2.20%.

In this context, we believe that, sometime in summer or autumn 2021, markets will start pricing one or two rate hikes in H2 22. They are currently pricing a 50% chance of a 25bp rate hike in 2022 and around two rate hikes per year in 2023 and 2024. Markets could probably begin to price close to three rate hikes in both 2023 and 2024.

Upward pressure on German yields set to remain in place for the next six months

While the increase in 10Y eurozone yields this year has very much been driven by higher US yields, European factors have begun to make themselves felt to an increasing extent.

Reopening is also on its way in Europe. The slow vaccine rollout in Europe vs. the US and the UK, in particular, has attracted a lot of attention. However, as more people are vaccinated and spring arrives, the stage is set for EU economies to open up too. Industry is already reporting a positive development, and as in the US, the European savings ratio has increased greatly. Given the extensive restrictions across many European countries, a pronounced consumption boom seems to be on the cards over the summer when the opportunity to spend finally returns.

As mentioned, we also expect inflation expectations to tick up, and ECB QE purchases are set to be scaled down in Q3 21. The extraordinary increase in purchases under the Pandemic Emergency Purchase Programme (PEPP) expires next month. Hence, the stage is set for the ECB to again assess whether PEPP purchases should continue at the same pace at its June meeting. Given the prospect of economies reopening, coupled with higher inflation and inflation expectations, PEPP purchasing looks likely to be normalised. The PEPP programme is set to expire in March 2022.

This does not change the fact that the ECB can essentially keep a relatively tight rein on European rates and yields for the rest of 2021. We expect the 10Y German yield to increase by around 10bp to -0.1% in three months. Over the next twelve months, we expect an increase of a further 40bp to +0.30%. This partly reflects slightly higher US yields and also that in twelve months from now the ECB's PEPP programme will probably have expired.

Short rates do not look likely to change either in the US or the eurozone for the next 12 months. However, Denmark appears to be on course for a modest unilateral rate cut of 10bp to -0.60% aimed at dampening DKK strength. Furthermore, we continue to expect the Norwegian central bank to deliver a 25bp rate hike at its September meeting.

We expect to publish the next issue of *Yield Outlook* in mid-June 2021.

Forecast*									
	Horisont	CB rente	3m xlbob	2-årig swp	5-årig swp	10-årig swp	2-årig stat	5-årig stat	10-årig stat
USD	Spot	0.25	0.16	0.25	0.88	1.58	0.14	0.78	1.59
	+3m	0.25	0.20	0.30	1.05	1.90	0.20	0.95	1.85
	+6m	0.25	0.20	0.40	1.15	2.05	0.30	1.05	2.00
	+12m	0.25	0.20	0.75	1.50	2.25	0.65	1.40	2.20
EUR*	Spot	-0.50	-0.53	-0.47	-0.26	0.13	-0.68	-0.58	-0.20
	+3m	-0.50	-0.54	-0.45	-0.20	0.25	-0.65	-0.50	-0.10
	+6m	-0.50	-0.54	-0.45	-0.10	0.35	-0.65	-0.40	0.00
	+12m	-0.50	-0.54	-0.40	0.15	0.65	-0.60	-0.20	0.30
GBP	Spot	0.10	0.08	0.30	0.68	1.04	0.05	0.33	0.81
	+3m	0.10	0.07	0.40	0.85	1.25	0.15	0.50	1.00
	+6m	0.10	0.07	0.45	1.05	1.35	0.20	0.70	1.10
	+12m	0.10	0.07	0.60	1.30	1.75	0.35	0.95	1.50
DKK	Spot	-0.50	-0.21	-0.13	0.03	0.40	-0.51	-0.41	0.09
	+3m	-0.60	-0.30	-0.17	0.05	0.50	-0.50	-0.35	0.15
	+6m	-0.60	-0.30	-0.17	0.15	0.60	-0.50	-0.25	0.25
	+12m	-0.60	-0.30	-0.12	0.40	0.90	-0.45	-0.05	0.55
SEK	Spot	0.00	-0.03	0.02	0.36	0.82	-0.27	-0.31	0.40
	+3m	0.00	-0.05	-0.05	0.43	0.73	-0.30	0.15	0.45
	+6m	0.00	-0.05	-0.05	0.50	0.80	-0.30	0.25	0.55
	+12m	0.00	-0.05	0.00	0.65	0.95	-0.25	0.40	0.70
NOK	Spot	0.00	0.27	0.82	1.35	1.73	0.50	0.99	1.44
	+3m	0.00	0.60	1.00	1.55	2.05	0.70	1.15	1.70
	+6m	0.25	0.65	1.10	1.70	2.15	0.80	1.30	1.80
	+12m	0.50	0.86	1.30	1.90	2.35	1.00	1.50	2.00

* German government bond yields and euro swap rates

Source: Danske Bank

EUR forecast

EUR forecast summary

10/05/2021	--- Forecast ---				--- Fcst vs Fwd in bp ---		
EUR	Spot	+3m	+6m	+12m	+3m	+6m	+12m
<u>Money Market</u>							
Refi	0.00	0.00	0.00	0.00	-	-	-
Deposit	-0.50	-0.50	-0.50	-0.50	-	-	-
3M	-0.53	-0.54	-0.54	-0.54	0	0	-2
6M	-0.51	-0.52	-0.52	-0.52	-1	-3	-5
<u>Government Bonds</u>							
2-year	-0.68	-0.65	-0.65	-0.60	-	-	-
5-year	-0.58	-0.50	-0.40	-0.20	-	-	-
10-year	-0.20	-0.10	0.00	0.30	-	-	-
<u>Swap rates</u>							
2-year	-0.47	-0.45	-0.45	-0.40	0	-2	-3
5-year	-0.26	-0.20	-0.10	0.15	3	-1	27
10-year	0.13	0.25	0.35	0.65	9	15	39

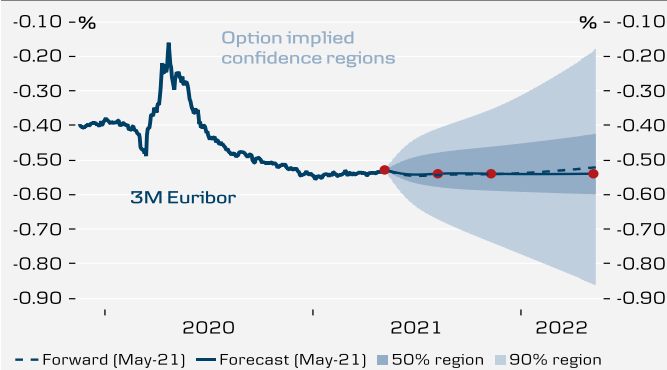
Source: Danske Bank

Danske Bank forecast and forwards

10/05/2021	--- Forecast ---				--- Fcst vs Fwd in bp ---		
EUR	Spot	+3m	+6m	+12m	+3m	+6m	+12m
<u>Money Market</u>							
Refi	0.00	0.00	0.00	0.00	-	-	-
Deposit	-0.50	-0.50	-0.50	-0.50	-	-	-
3M	-0.53	-0.54	-0.54	-0.54	0	0	-2
6M	-0.51	-0.52	-0.52	-0.52	-1	-3	-5
<u>Government Bonds</u>							
2-year	-0.68	-0.65	-0.65	-0.60	-	-	-
5-year	-0.58	-0.50	-0.40	-0.20	-	-	-
10-year	-0.20	-0.10	0.00	0.30	-	-	-
<u>Swap rates</u>							
2-year	-0.47	-0.45	-0.45	-0.40	0	-2	-3
5-year	-0.26	-0.20	-0.10	0.15	3	-1	27
10-year	0.13	0.25	0.35	0.65	9	15	39

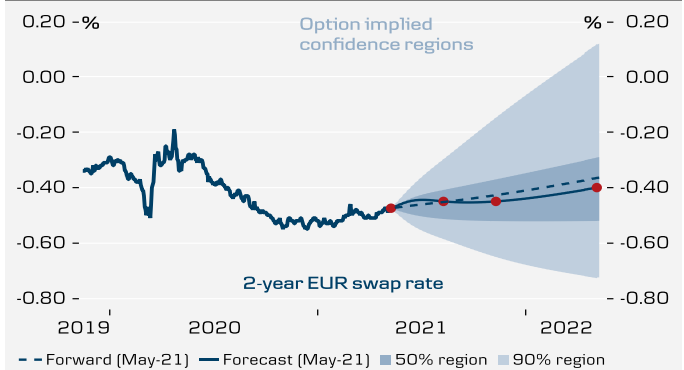
Note: Past performance is not a reliable guide to future returns
Source: Danske Bank

3M Euribor



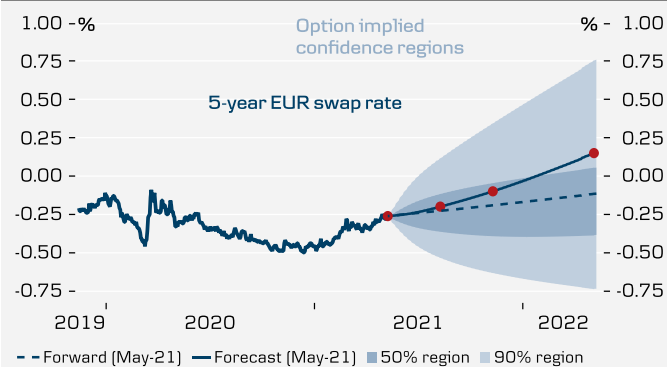
Note: Past performance is not a reliable guide to future returns
Source: Danske Bank

2Y EUR swap rates



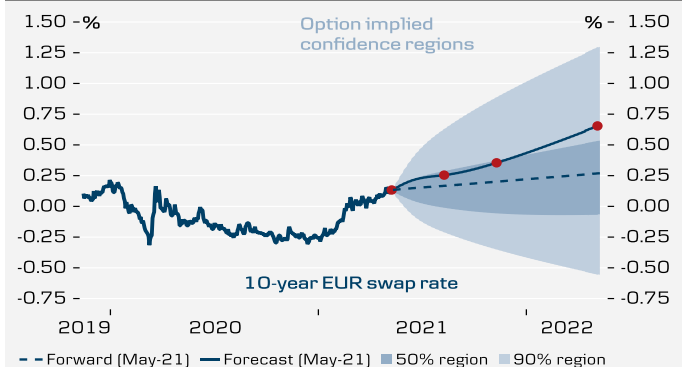
Note: Past performance is not a reliable guide to future returns
Source: Danske Bank

5Y EUR swap rates



Note: Past performance is not a reliable guide to future returns
Source: Danske Bank

10Y EUR swap rates



Note: Past performance is not a reliable guide to future returns
Source: Danske Bank

USD forecast

USD forecast summary

10/05/2021 USD	--- Forecast ---				--- Fcst vs Fwd in bp ---		
	Spot	+3m	+6m	+12m	+3m	+6m	+12m
<u>Money Market</u>							
Fed Funds	0.25	0.25	0.25	0.25	-	-	-
3M	0.16	0.20	0.20	0.20	2	-2	-2
<u>Government Bonds</u>							
2-year	0.14	0.20	0.30	0.65	-	-	-
5-year	0.78	0.95	1.05	1.40	-	-	-
10-year	1.59	1.85	2.00	2.20	-	-	-
<u>Swap rates</u>							
2-year	0.25	0.30	0.40	0.75	1	4	21
5-year	0.88	1.05	1.15	1.50	8	9	25
10-year	1.58	1.90	2.05	2.25	26	36	44

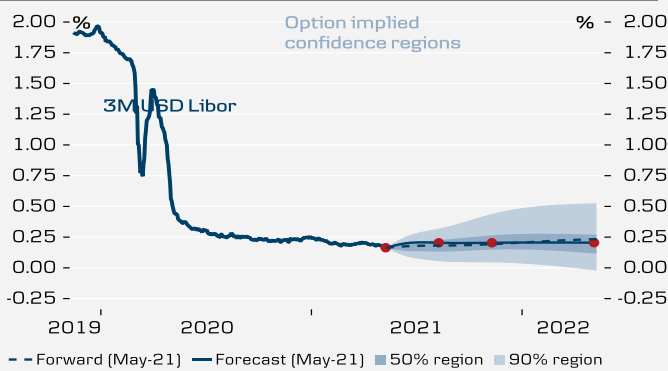
Source: Danske Bank

1M change in USD swap (3M)

10/05/2021 USD	--- Forecast ---				--- Fcst vs Fwd in bp ---		
	Spot	+3m	+6m	+12m	+3m	+6m	+12m
<u>Money Market</u>							
Fed Funds	0.25	0.25	0.25	0.25	-	-	-
3M	0.16	0.20	0.20	0.20	2	-2	-2
<u>Government Bonds</u>							
2-year	0.14	0.20	0.30	0.65	-	-	-
5-year	0.78	0.95	1.05	1.40	-	-	-
10-year	1.59	1.85	2.00	2.20	-	-	-
<u>Swap rates</u>							
2-year	0.25	0.30	0.40	0.75	1	4	21
5-year	0.88	1.05	1.15	1.50	8	9	25
10-year	1.58	1.90	2.05	2.25	26	36	44

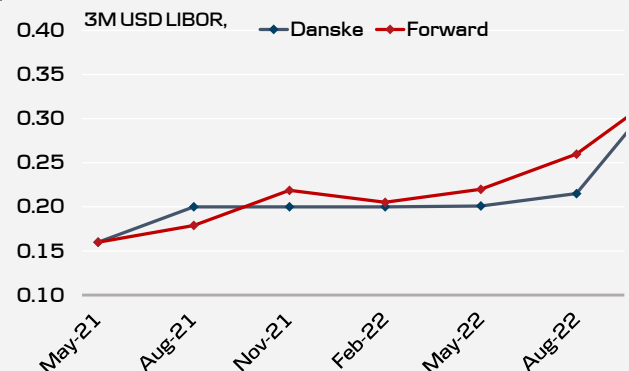
Note: Past performance is not a reliable guide to future returns
Source: Danske Bank

3M USD Libor rates



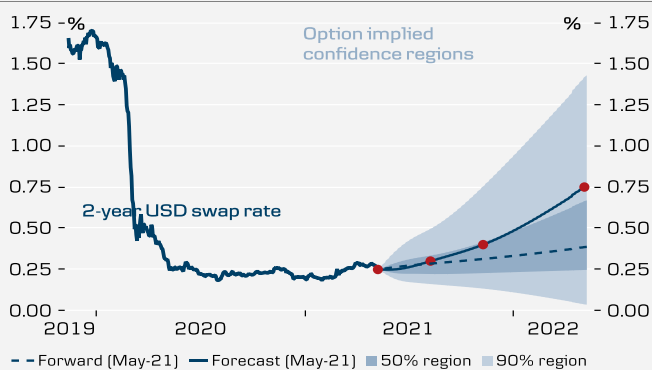
Note: Past performance is not a reliable guide to future returns
Source: Danske Bank

Danske Bank forecast and forwards



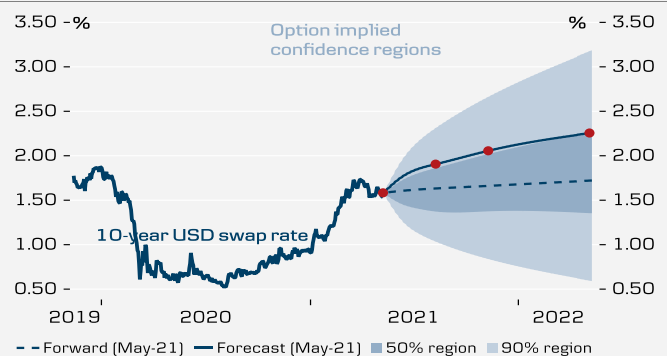
Note: Past performance is not a reliable guide to future returns
Source: Danske Bank

2Y USD swap rates



Note: Past performance is not a reliable guide to future returns
Source: Danske Bank

10Y USD swap rates



Note: Past performance is not a reliable guide to future returns
Source: Danske Bank

GBP forecast

GBP forecast summary

10/05/2021 GBP	--- Forecast ---				--- Fcst vs Fwd in bp ---		
	Spot	+3m	+6m	+12m	+3m	+6m	+12m
<u>Money Market</u>							
Repo	0.10	0.1	0.1	0.1	-	-	-
3M	0.08	0.07	0.07	0.07	-1	-4	-16
<u>Government Bonds</u>							
2-year	0.05	0.15	0.20	0.35	6	9	15
5-year	0.331	0.5	0.7	0.95	13	28	44
10-year	0.81	1.00	1.10	1.50	10	15	45
<u>Swap rates</u>							
2-year	0.30	0.40	0.45	0.60	2	2	1
5-year	0.68	0.85	1.05	1.30	11	26	12
10-year	1.04	1.25	1.35	1.75	17	24	57

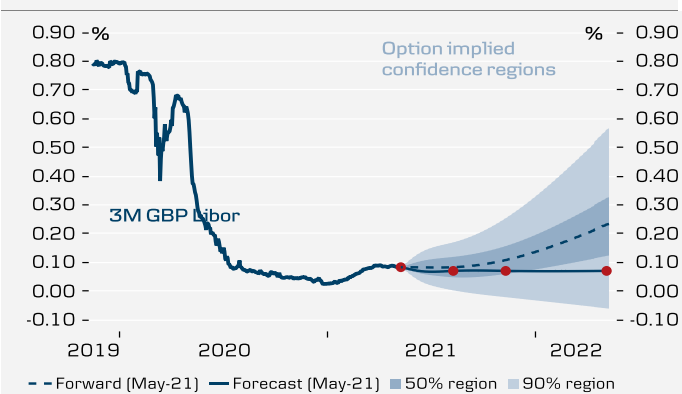
Source: Danske Bank

1M change in GBP swap (6M)

10/05/2021 GBP	--- Forecast ---				--- Fcst vs Fwd in bp ---		
	Spot	+3m	+6m	+12m	+3m	+6m	+12m
<u>Money Market</u>							
Repo	0.10	0.1	0.1	0.1	-	-	-
3M	0.08	0.07	0.07	0.07	-1	-4	-16
<u>Government Bonds</u>							
2-year	0.05	0.15	0.20	0.35	6	9	15
5-year	0.331	0.5	0.7	0.95	13	28	44
10-year	0.81	1.00	1.10	1.50	10	15	45
<u>Swap rates</u>							
2-year	0.30	0.40	0.45	0.60	2	2	1
5-year	0.68	0.85	1.05	1.30	11	26	12
10-year	1.04	1.25	1.35	1.75	17	24	57

Note: Past performance is not a reliable guide to future returns
Source: Danske Bank

3M GBP Libor-rente



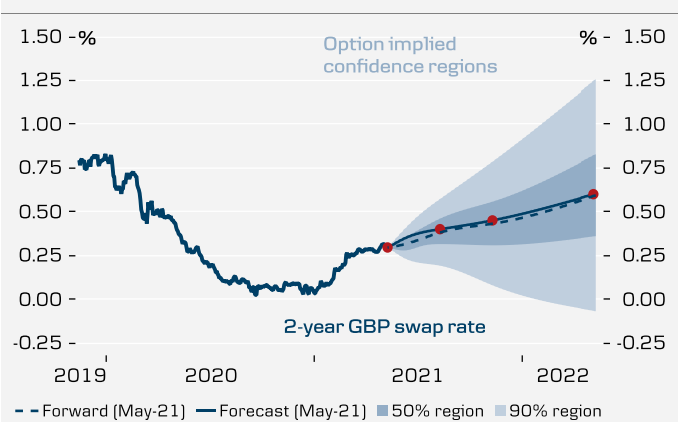
Note: Past performance is not a reliable guide to future returns
Source: Danske Bank

Danske Bank prognose og forwards

10/05/2021 GBP	--- Forecast ---				--- Fcst vs Fwd in bp ---		
	Spot	+3m	+6m	+12m	+3m	+6m	+12m
<u>Money Market</u>							
Repo	0.10	0.1	0.1	0.1	-	-	-
3M	0.08	0.07	0.07	0.07	-1	-4	-16
<u>Government Bonds</u>							
2-year	0.05	0.15	0.20	0.35	6	9	15
5-year	0.331	0.5	0.7	0.95	13	28	44
10-year	0.81	1.00	1.10	1.50	10	15	45
<u>Swap rates</u>							
2-year	0.30	0.40	0.45	0.60	2	2	1
5-year	0.68	0.85	1.05	1.30	11	26	12
10-year	1.04	1.25	1.35	1.75	17	24	57

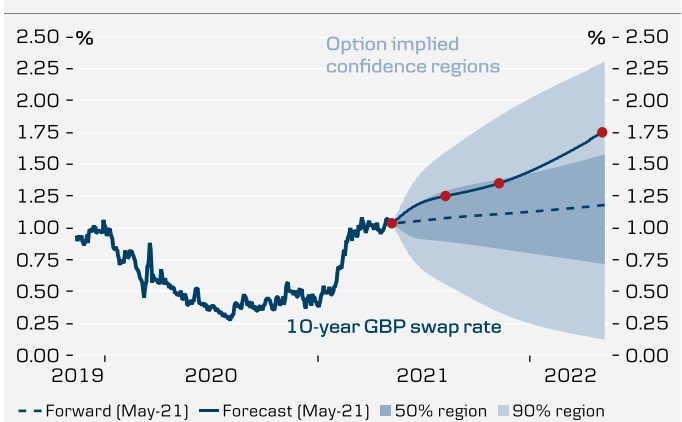
Note: Past performance is not a reliable guide to future returns
Source: Danske Bank

2Y UK swap rates



Note: Past performance is not a reliable guide to future returns
Source: Danske Bank

10Y UK swap rates



Note: Past performance is not a reliable guide to future returns
Source: Danske Bank

SEK forecast

SEK forecast summary

10/05/2021 SEK	--- Forecast ---				--- Fcst vs Fwd in bp ---		
	Spot	+3m	+6m	+12m	+3m	+6m	+12m
<u>Money market</u>							
Repo	0.00	0.00	0.00	0.00	-	-	-
3M	-0.03	-0.05	-0.05	-0.05	-3	4	-9
<u>Government bonds</u>							
2-year	-0.27	-0.30	-0.30	-0.25	-	-	-
5-year	-0.31	0.15	0.25	0.40	-	-	-
10-year	0.40	0.45	0.55	0.70	-	-	-
<u>Swap rates</u>							
2-year	0.02	-0.05	-0.05	0.00	-11	-15	-21
5-year	0.36	0.43	0.50	0.65	2	4	8
10-year	0.82	0.73	0.80	0.95	-13	-10	-3

Source: Danske Bank

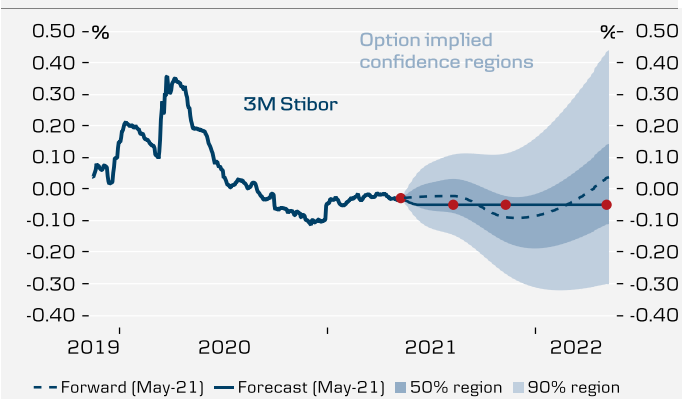
1M change in SEK swap (3M)

10/05/2021 SEK	--- Forecast ---				--- Fcst vs Fwd in bp ---		
	Spot	+3m	+6m	+12m	+3m	+6m	+12m
<u>Money market</u>							
Repo	0.00	0.00	0.00	0.00	-	-	-
3M	-0.03	-0.05	-0.05	-0.05	-3	4	-9
<u>Government bonds</u>							
2-year	-0.27	-0.30	-0.30	-0.25	-	-	-
5-year	-0.31	0.15	0.25	0.40	-	-	-
10-year	0.40	0.45	0.55	0.70	-	-	-
<u>Swap rates</u>							
2-year	0.02	-0.05	-0.05	0.00	-11	-15	-21
5-year	0.36	0.43	0.50	0.65	2	4	8
10-year	0.82	0.73	0.80	0.95	-13	-10	-3

Note: Past performance is not a reliable guide to future returns

Source: Danske Bank

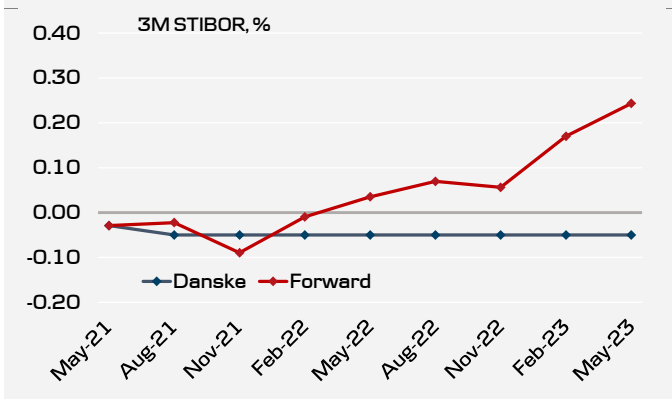
3M Stibor rate



Note: Past performance is not a reliable guide to future returns

Source: Danske Bank

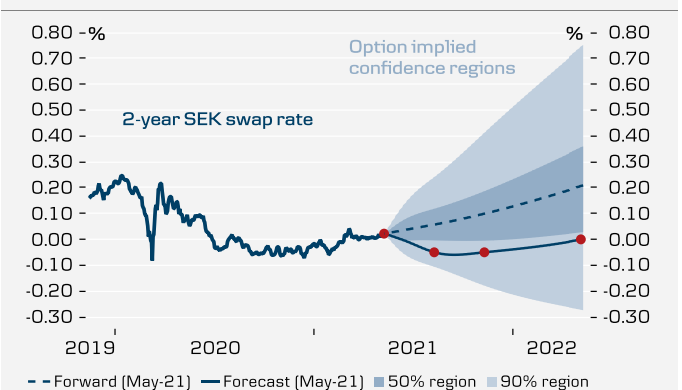
Danske Bank forecast and forwards



Note: Past performance is not a reliable guide to future returns

Source: Danske Bank

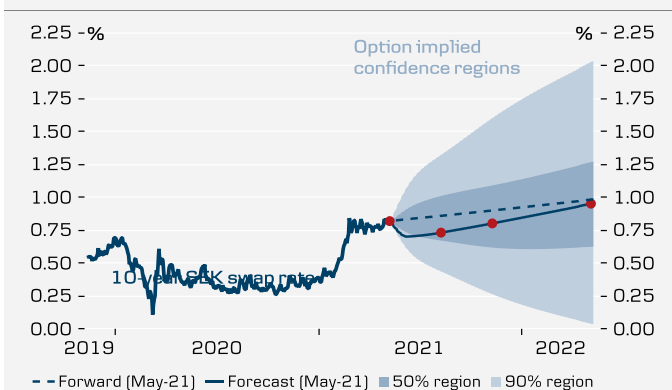
2Y SEK swap rates



Note: Past performance is not a reliable guide to future returns

Source: Danske Bank

10Y SEK swap rates



Note: Past performance is not a reliable guide to future returns

Source: Danske Bank

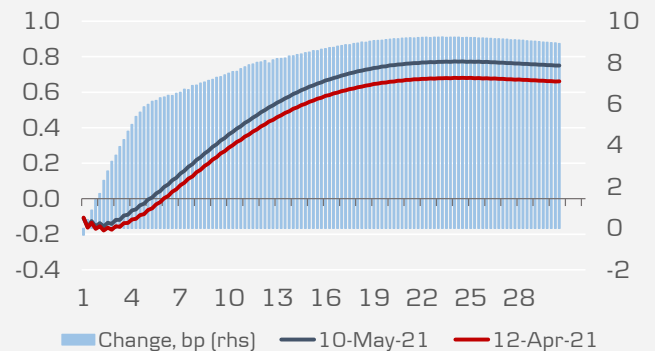
DKK forecast

DKK forecast summary

10/05/2021	--- Forecast ---				--- Fcst vs Fwd in bp ---		
DKK	Spot	+3m	+6m	+12m	+3m	+6m	+12m
Money Market							
CD	-0.50	-0.60	-0.60	-0.60	-	-	-
Repo	-0.35	-0.45	-0.45	-0.45	-	-	-
3M	-0.21	-0.30	-0.30	-0.30	-5	-3	-2
6M	-0.11	-0.17	-0.17	-0.17	-4	-3	-2
Government bonds							
2-year	-0.51	-0.50	-0.50	-0.45	-	-	-
5-year	-0.41	-0.35	-0.25	-0.05	-	-	-
10-year	0.09	0.15	0.25	0.55	-	-	-
Swap rates							
2-year	-0.13	-0.17	-0.17	-0.12	-4	-5	-4
5-year	0.03	0.05	0.15	0.40	-1	6	25
10-year	0.40	0.50	0.60	0.90	7	14	38
30-year	0.76	0.80	0.85	1.00	4	8	21

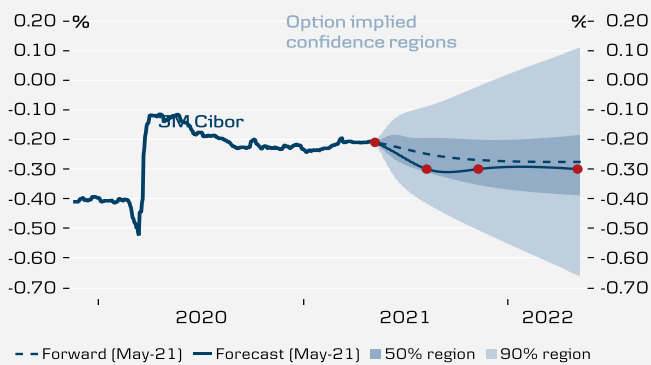
Source: Danske Bank

1M change in DKK swap (6M)



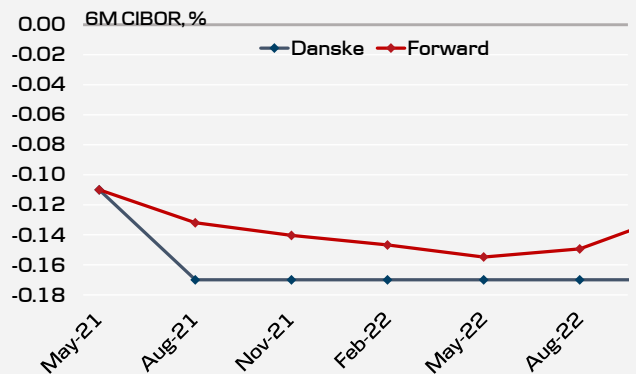
Note: Past performance is not a reliable guide to future returns
Source: Danske Bank

3M Cibar



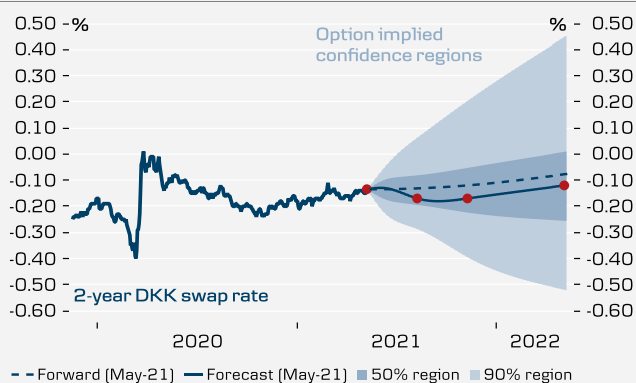
Note: Past performance is not a reliable guide to future returns
Source: Danske Bank

Danske Bank forecast and forwards



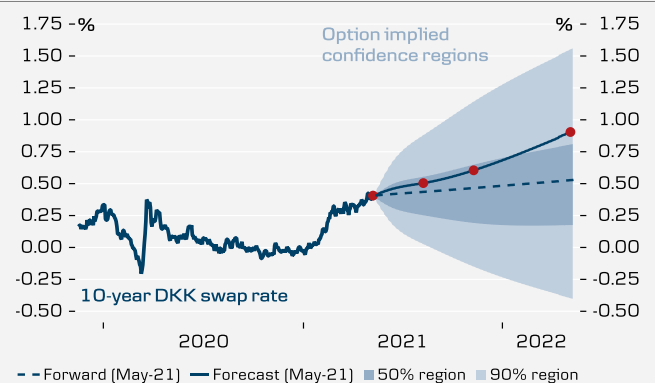
Note: Past performance is not a reliable guide to future returns
Source: Danske Bank

2Y DKK swap rates



Note: Past performance is not a reliable guide to future returns
Source: Danske Bank

10Y DKK swap rates



Note: Past performance is not a reliable guide to future returns
Source: Danske Bank

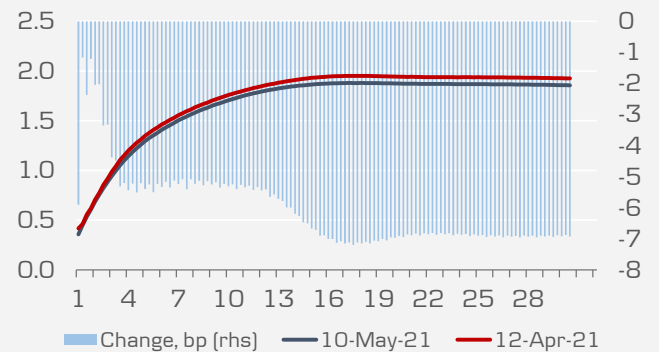
NOK forecast

NOK forecast summary

10/05/2021	--- Forecast ---				--- Fcst vs Fwd in bp ---		
NOK	Spot	+3m	+6m	+12m	+3m	+6m	+12m
<u>Money market</u>							
Deposit	0.00	0.00	0.25	0.50	-	-	-
3M	0.27	0.60	0.65	0.86	23	7	0
6M	0.35	0.69	0.77	0.99	16	5	0
<u>Government bonds</u>							
2-year	0.50	0.70	0.80	1.00	-	-	-
5-year	0.99	1.15	1.30	1.50	-	-	-
10-year	1.44	1.70	1.80	2.00	-	-	-
<u>Swap rates</u>							
2-year	0.82	1.00	1.10	1.30	4	1	-1
5-year	1.35	1.55	1.70	1.90	12	19	26
10-year	1.73	2.05	2.15	2.35	27	33	45

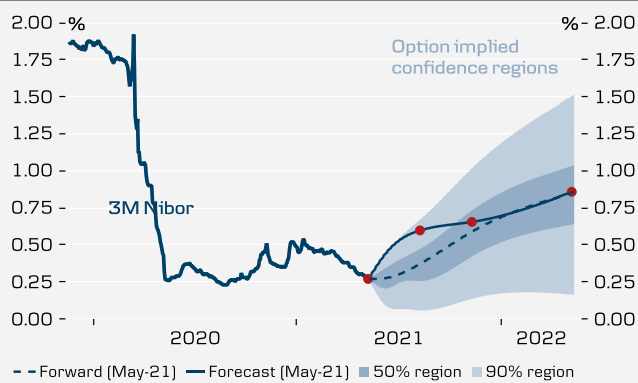
Source: Danske Bank

1M change in NOK swap (6M)



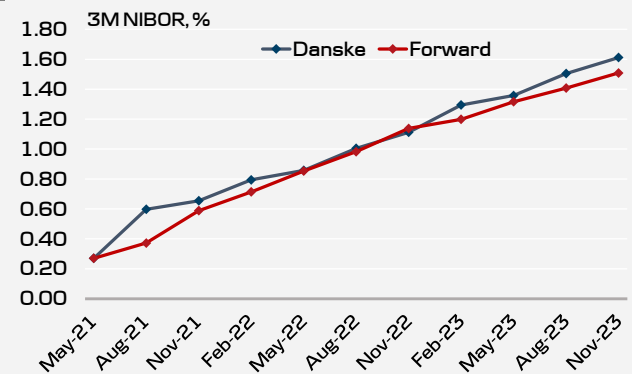
Note: Past performance is not a reliable guide to future returns
Source: Danske Bank

3M Nibor



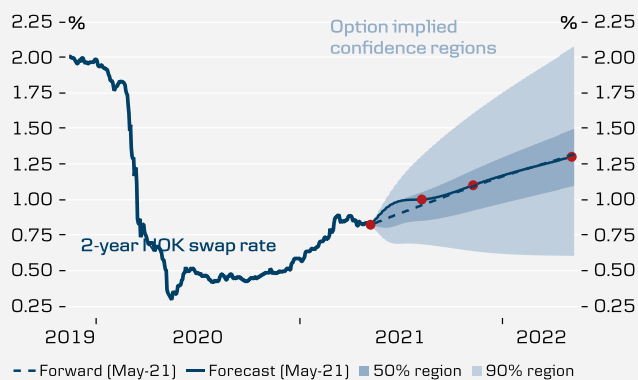
Note: Past performance is not a reliable guide to future returns
Source: Danske Bank

Danske Bank forecast and forwards



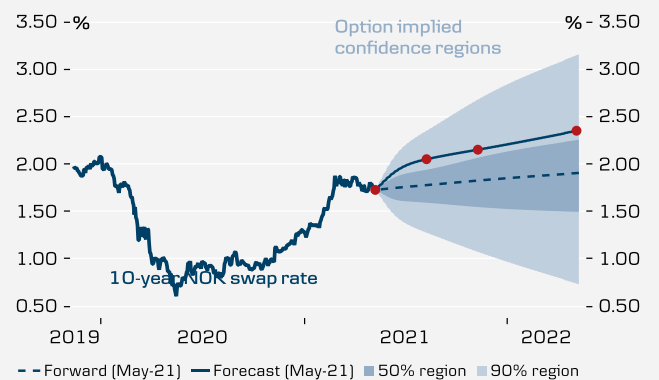
Note: Past performance is not a reliable guide to future returns
Source: Danske Bank

2Y NOK swap rate



Note: Past performance is not a reliable guide to future returns
Source: Danske Bank

10Y NOK swap rate



Note: Past performance is not a reliable guide to future returns
Source: Danske Bank

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